

APPROVED BY THE
COMMITTEE

MAY 25 2011

Michele M. Thompson
SECRETARY OF THE BOARD

MEETING OF THE GOVERNANCE, PERSONNEL, AND ETHICS COMMITTEE
OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

April 26, 2011

This meeting of the Governance, Personnel, and Ethics Committee of the Board of Trustees of the University of Illinois was held in Room 206 A and B, Student Center West, 828 South Wolcott Avenue, Chicago, Illinois, on Tuesday, April 26, 2011, beginning at 2:00 p.m. Attendance via videoconference was also available in Room 364, Henry Administration Building, 506 South Wright Street, Urbana, Illinois; and the Hatmaker Room, Room 550 Public Affairs Center, One University Plaza, Springfield, Illinois.

Trustee Pamela B. Strobel, chair of the committee, convened the meeting and asked the clerk to call the roll. The following members of the committee were present: Ms. Karen Hasara, Mr. James D. Montgomery, and Ms. Pamela B. Strobel. Mr. Daniel A. Soso¹, voting student trustee from the Urbana campus, was present.

Also present were President Michael J. Hogan; Dr. Harry J. Berman, interim vice president of the University of Illinois and chancellor, Springfield campus; Dr. Mrinalini Rao, vice president for academic affairs; Mr. Walter K. Knorr, vice president/chief financial officer and comptroller; Dr. Lawrence B. Schook, interim vice president for research; Mr. Thomas R. Bearrows, University counsel; Dr. Michele M. Thompson, secretary; Dr. Avijit Ghosh, special

¹ Mr. Soso arrived at 2:06 p.m.

assistant to the president; Dr. Lisa Troyer, executive assistant to the president and chief of staff; Mr. Douglas Beckmann, senior associate vice president for business and finance; Dr. W. Randall Kangas, associate vice president for planning and budgeting; Dr. Peter Newman, assistant vice president for treasury operations; Ms. P.J. Kale, executive director for risk management; Ms. Julie A. Zemaitis, executive director of University audits; Ms. Donna McNeely, University ethics officer; Dr. Menah Pratt-Clarke, assistant chancellor and director of equal opportunity and access, Urbana; Dr. Ruth Watkins, dean, college of liberal arts and sciences; Mr. Mark D. Henss, Springfield campus counsel; and Dr. Frank Goldberg, vice provost for resource planning and management.

Ms. Strobel asked if there were any comments or questions regarding the minutes from the meeting that was held on February 21, 2011, and there were none. On motion of Mr. Montgomery, seconded by Ms. Hasara, the minutes were approved unanimously.

MOTION FOR EXECUTIVE SESSION

At 2:06 p.m., Ms. Strobel stated that a motion was in order to convene an executive session to discuss University employment or appointment-related matters. On motion of Mr. Montgomery, seconded by Ms. Hasara, this motion was approved.

EXECUTIVE SESSION

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 2:35 p.m.

REPORTS TO THE COMMITTEE

Directors and Officers Liability Insurance

Mr. Douglas Beckmann, senior associate vice president for business and finance, introduced Ms. P.J. Kale, executive director for risk management, to provide a presentation and report (materials on file with the clerk) on directors and officers liability insurance. Ms. Kale provided an overview of the history and organizational responsibility of University risk control and self-insurance activities, and she described the University's program of insurance for its Board members for claims that may be brought against them while acting in the scope of University duties. She said that \$20.0 million of protection is provided to cover judgments, settlements, and legal defense costs, with \$15.0 million procured commercially and \$5.0 million self-insured and set aside in a trust. She reviewed areas in which trustees are more likely to be sued, including employment and civil rights related claims, and described areas that are excluded. She said that claims related to employment practices are often contentious and are handled by legal services and litigation management. She reported that the largest indemnity payment made by the University and its insurance carrier was \$2.5 million to an employee who sued over employment practices, and Mr. Bearrows provided some details about this case. She said the most paid for a legal defense was \$3.2 million, and she and Mr. Bearrows described the litigation that was involved in that case, which Mr. Bearrows described as unusual.

Ms. Kale then provided information regarding the self-insurance trust, which she said is reviewed annually by an actuarial firm. She stated that the commercial carrier is Illinois National, and she told the committee that coverage levels are adjusted to keep pace with market events. She then introduced a representative from Marsh, which is one of the University's

insurance brokers and was responsible for placing this coverage. Ms. Strobel requested additional information about Illinois National, and details about its parent company, size, and rating were provided. Ms. Kale reported no gaps in the coverage, other than those that are typical, and committee members briefly discussed with Mr. Bearrows some details surrounding the hiring of one's own attorney. Ms. Strobel thanked Ms. Kale for the presentation.

*Amendments to the General Rules Concerning University Organization and Procedure
and Amendment to the Bylaws of the Board of Trustees*

Next, Ms. Strobel asked Dr. Avijit Ghosh to provide information about amendments to the *General Rules Concerning University Organization and Procedure*. Dr. Ghosh stated that the proposed amendments had been distributed to committee members in advance of the meeting, and referred to Article II, which deals with processes for contract approval. He said that the proposed changes are a recommendation of the subcommittee of the Administrative Review and Restructuring (ARR) working group that dealt with internal processes, which was chaired by interim Vice President/Chancellor Berman. He stated that these proposals have been widely discussed throughout the University, have been endorsed by the ARR implementation steering committee, and have been sent to the University Senates Conference. He said that they are requesting permission to bring the item before the full Board at its meeting in June. He then referred to proposed amendments to the *Bylaws* of the Board of Trustees, which he said are intended to streamline internal business processes, and he asked Dr. Berman to provide additional information about these proposed changes.

Dr. Berman said that the goal of the ARR working group's efforts is to increase efficiency and reduce cost, and explained that while State and Federal regulatory relief was an area of focus, the subcommittee also found changes that could be made to University regulations.

He said the proposed amendments would make the processing of contracts more efficient and would provide a more realistic assessment of risk. He introduced Mr. Mark D. Henss, Springfield campus counsel, to provide additional details.

Mr. Henss stated that the proposed amendments would modernize processes and increase efficiency, and explained that much of what is contained in this section of the *General Rules* will be used to create a policy on contracting for the Office of Business and Financial Services (OBFS). He said this will provide flexibility in the future as laws change, and provided examples, such as the use of electronic signatures and electronic archiving. He said that other proposed changes would remove the requirement that legal counsel review all contracts, including those that pose little to no legal risk to the University, and another proposed change would eliminate the need for the secretary's attestation on contracts.

Dr. Ghosh emphasized that these changes are not an indication of decreased vigilance, and told committee members that while the specific cost savings of these changes have not been identified, it will increase efficiency for employees and decrease the time needed to complete contracts. Ms. Strobel inquired about efforts to make greater use of technology in other processes, and Dr. Ghosh mentioned other uses of electronic documentation, including the use of electronic travel reimbursement forms. He said this would also provide an opportunity for greater analysis and potential for future savings, and Ms. Strobel asked if the use of an external vendor to outsource travel arrangements has been considered. Committee members discussed this with those in attendance. Ms. Strobel then asked Dr. Ghosh if the proposed amendments would be ready to present to the full Board in June. Dr. Ghosh stated that he is waiting for feedback from the University Senates Conference, and said he hopes that they will be ready in

time for the June meeting. Since there were no objections to the proposed amendments, Dr. Thompson stated that she would circulate them to trustees as soon as possible in order to meet the 30 day minimum required by the *Bylaws* of the Board of Trustees. There was no objection to this.

NEW BUSINESS

Ms. Hasara asked if workers compensation is a large problem at the University, and she requested feedback on the hiring of a nurse manager last year. Mr. Beckmann said the University has seen escalating costs resulting from frequency and severity in workers compensation, and said the nurse manager was hired to ensure that appropriate medical care is given. He stated that the office handling workers compensation has been moved and is now within the office of risk management, and said that this program has the greatest funding need of all self-insurance programs at the University. Ms. Hasara agreed that this is often a problematic area and expressed support for the hiring of a nurse manager, noting that these individuals can often make it possible for employees to return to work more quickly and prevent abuses. Ms. Strobel said that a report on workers compensation in the future would be useful, and Ms. Hasara agreed.

Next, Ms. Strobel stated that the meeting that was scheduled for May 24, 2011 has been canceled in lieu of today's meeting, and said that Dr. Thompson will contact committee members if there is a need to meet between May 25, 2011 and June 9, 2011.

MOTION FOR EXECUTIVE SESSION

At 3:12 p.m., Ms. Strobel stated that a motion was in order to convene an executive session to discuss pending, probable, or imminent litigation against, affecting, or on behalf of the University. On motion of Ms. Hasara, seconded by Ms. Strobel, this motion was approved.

EXECUTIVE SESSION

EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 3:32 p.m.

MEETING ADJOURNED

There being no further business, Ms. Strobel requested a motion to adjourn the meeting. On motion of Mr. Montgomery, seconded by Mr. Soso, the meeting adjourned at 3:33 p.m.

Respectfully submitted,

Michele M. Thompson
Clerk

Pamela B. Strobel
Chair

Eileen B. Cable
Assistant Clerk