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**APPROVED BY THE
COMMITTEE**

APR 26 2011

Michele M. Thompson

MEETING OF THE GOVERNANCE, PERSONNEL, AND ETHICS COMMITTEE

SECRETARY OF THE BOARD

OF THE BOARD OF TRUSTEES OF THE UNIVERSITY OF ILLINOIS

February 21, 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 Monday, February 21, 2011, beginning at 1:05 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. Soso, voting student trustee from the Urbana campus, was absent. Also present at the Chicago site were: President Michael J. Hogan; Dr. Lisa Troyer, executive assistant to the president and chief of staff; Mr. Thomas Hardy, executive director for University relations; Mr. Thomas R. Bearrows, University counsel; and Dr. Michele M. Thompson, secretary. Ms. Donna McNeely, University ethics officer, attended the meeting via videoconference at the Springfield site. The following attended the meeting via videoconference at the Urbana site: Dr. Avijit Ghosh, vice president for technology and economic development; Dr. Michael Hites, associate vice president of administrative information technology services; Mr. Steve Veazie, deputy University counsel;

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Dr. Menah Pratt-Clarke, assistant chancellor and director of equal opportunity and access, University of Illinois at Urbana-Champaign; and Ms. Carla Jones, University audits.

Ms. Strobel asked if there were any comments or questions regarding the minutes from the meeting that was held on January 18, 2011, and there were none. On motion of Mr. Montgomery, seconded by Ms. Strobel, the minutes were approved unanimously.

REPORTS TO THE COMMITTEE

University Ethics Office Annual Report

Ms. Strobel asked Ms. McNeely to provide the annual report from the University Ethics Office (materials on file with the clerk). Ms. McNeely reviewed highlights from the ethics office in 2010, including the successful delivery of annual ethics training, the electronic publication of the 6th edition of the *Handbook for Good Ethical Practice*, communication of reporting requirements resulting from Senate Bill 51, and a presentation at a national conference for ethics and compliance officers. She noted a reduction in staff due to budget constraints, and described plans for 2011. She stated that the office has an advisory role for University employees and responds to concerns via phone, email, or in person. She said she and her staff also plan to prepare an electronic newsletter and emails to target audiences, and explained that her office is the liaison to the State Executive Inspector General. She then outlined plans for fulfilling the procurement reporting requirements resulting from Senate Bill 51, and described the process for ensuring that appropriate individuals complete and submit statement of economic interest forms to the State. She said that the ethics office will review over 8,000 forms before filing them with the Secretary of State between March 14 and May 2, 2011, and told committee members that

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positions at the University are coded to ensure that the appropriate individuals receive these forms. She described the types of positions that require reporting of statements of economic interest and said the length of time required to complete the form depends upon an individual's investments. She said during the filing window, she and her staff can spend anywhere from a few hours per day to an entire day reviewing the completed statements, and explained that they are looking for both completeness and variances from the information submitted on the forms reporting conflicts of commitment and interest. She explained the process by which inconsistencies between the two forms would be handled.

Ms. McNeely then presented plans for conducting ethics training in 2011 and described steps that will be taken to address revolving door prohibitions. Lastly, Ms. McNeely presented the compliance requirements for trustees and responded to questions, particularly surrounding the requirements related to reporting of material procurement communications. She and Mr. Bearrows provided examples of situations that might require trustees to report communication with potential vendors, and said they would both be available to advise trustees when needed. Ms. McNeely stated that she has spent 90 percent of her time since December assisting employees with the forms and processes related to Senate Bill 51, noting that the forms are very detailed. This concluded Ms. McNeely's presentation, and with no further questions, Ms. Strobel thanked Ms. McNeely both for her presentation and for her thorough and hard work.

Ms. Strobel then asked Dr. Ghosh and Mr. Veazie to present information on the amendments to the operating agreement to change the composition of the board of managers of the University of Illinois Research Park, LLC.

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Update Regarding Proposed Amendments to the Operating Agreement of the University of Illinois Research Park, LLC, to Change the Composition of the Board of Managers

Dr. Ghosh explained that the composition of the University of Illinois Research Park, LLC, was discussed at the last committee meeting, and he asked Mr. Veazie to provide an update. Mr. Veazie referred to information he sent trustees that morning that summarizes his findings and includes recommendations from Mr. Michael Csar, outside counsel with Drinker Biddle, who he said has been retained to assist with this project, and reminded committee members that initial concerns pertaining to the board of managers of the Research Park involved the structure of the board and the process by which members are appointed. Mr. Veazie first addressed the organizational structure of the board, stating that both he and Mr. Csar believe that the current model, whereby the Board of Trustees is the sole member of a limited liability company (LLC), is well suited to the University. He then addressed the process by which members are appointed to the board, which he said has evolved over several years. He said the composition of the board of managers that the Board of Trustees approved two years ago included six members, three of whom would be trustees. He explained that the current proposed structure is composed of eight members, including: one trustee; three external business and industry leaders; the vice presidents/chancellors at Chicago and Urbana; and one academic representative each from Chicago and Urbana. He stated that the proposed composition includes the vice president for business and the vice president for research serving *ex officio*. He said that Mr. Csar recommended that the operating agreement be written in a manner that dictates that all appointments, aside from those members who would be appointed by virtue of their positions, be specifically approved by the Board of Trustees. Mr. Veazie said that Mr. Csar also

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recommended amending the operating agreement to require the appointment of a three member executive committee and to specify that approval of a long-term development agreement is a reserved power of the Board of Trustees.

Committee members discussed Mr. Veazie's comments, and he responded to questions about next steps, the role of a developer in the Research Park, and procurement regulations affecting University Related Organizations. After some discussion, Ms. Strobel asked if there were any objections to advancing to the Board of Trustees as a whole, the proposed amendments to the operating agreement that would change the composition of the board of managers of the University of Illinois Research Park, LLC, and there were none.

Comparative Data Regarding University Governing Boards' Expectations of Members

Ms. Strobel then asked Dr. Thompson to address the next item on the agenda, and Dr. Thompson explained that Chairman Kennedy asked that this committee establish expectations for Board behavior. She explained that the materials sent to committee members in preparation for the meeting included a summary of expectations of governing boards at several universities, the Association of Governing Board's code of conduct, and a draft of a self-evaluation survey, and she thanked Ms. Cable for the research involved to produce this material. Ms. Strobel proposed that committee members review the materials and plan to have a thorough discussion at the next meeting, suggesting that they focus on the survey as the basis for the discussion. She stated that it is best practice to have a clearly articulated set of expectations and a basis for evaluation. President Hogan stated that the Board is making a positive statement through its efforts to study

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and improve its own procedures. Ms. Strobel referred to the AGB booklet titled *Effective Governing Boards* and stated that it is useful reference material for this topic. She said additional discussion pertaining to Board expectations will occur at the next committee meeting, and committee members agreed to review the related materials.

Proposed Format for Board Items concerning University Appointments

Ms. Strobel introduced the next item on the agenda concerning the format of Board items pertaining to appointments, and Dr. Thompson explained that since appointments come under the aegis of this committee, Chairman Kennedy asked that the committee review a revised format for the agenda item pertaining to appointments that appears on the agenda for each Board meeting. She said it will be somewhat different compared to the previous format, and stated that a sample of the new format was mailed to committee members prior to this meeting. There was no objection to using the revised format for future Board meetings.

MOTION FOR EXECUTIVE SESSION

At 2:00 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

Ms. Strobel welcomed Dr. Douglas Beck, professor of physics at Urbana, to the meeting and expressed great appreciation for his work as chair of the search advisory committee conducting a

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search for the vice president and chancellor of the University of Illinois at Urbana-Champaign. Dr. Beck said that the committee's goal is to recruit the best person in the country for the position, and he described the timeline for the search and listed the members of the search committee. He said that the search firm Isaacson, Miller has been engaged to assist the search committee in identifying prospects for this position, and that Ms. Jami Painter, director of employee relations and human resources for University administration, is serving as staff to the committee. He said that a day and a half of scoping interviews and information gathering by the search firm were recently conducted, and stated that the white paper and position advertisement are both complete, noting that the preferred date for the full consideration of individuals who are nominated or who apply is April 15, 2011. He emphasized the importance of the white paper, and told the committee that many nominations from several sources have been gathered over the past two months. He then described the timeline for meeting with Isaacson, Miller to review the potential candidates and to narrow the field, and said that at some point in the future, it may be helpful to have some trustees encourage a small number of potential candidates to seriously consider the position of vice president/chancellor at Urbana. Ms. Strobel expressed appreciation for the work of the search committee and leadership of Dr. Beck, and indicated that she and other trustees are willing to provide support as needed. With no other questions or comments, Dr. Beck concluded his comments to the committee and departed the meeting.

Next, President Hogan provided an update on identifying individuals to assume responsibilities for several positions at the University. He stated that at the next Board meeting on March 23, 2011, he would recommend the appointments of Dr. Joe G.N. "Skip" Garcia as

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vice president for health affairs and Dr. Lawrence B. Schook as vice president for research. He said that both Dr. Garcia and Dr. Schook are distinguished scholars, and stated that the response to the announcements on the campuses regarding their appointments has been positive. He said that the appointments of Ms. Maureen Parks as executive director of human resources, Mr. Steve Veazie as executive director of employee and labor relations, and Dr. Michael Hites as executive chief information officer will also appear on the agenda at the meeting, and he provided some background information about these individuals. He noted that these would all be promotions from within the University, and said that while this will address an issue with governance within the University, implementation involving assumption of all responsibilities will likely take another year.

President Hogan also updated the committee on the resignation of Dr. Joseph Flaherty, dean of the college of medicine at Chicago, and said that Vice President/Chancellor Paula Allen-Meares is currently working to appoint an interim dean, whose appointment will also appear on the agenda at the Board meeting on March 23, 2011. He then told the committee that Dr. Avijit Ghosh, who previously held the position of vice president for technology and economic development, will continue working on implementing the recommendations of the Administrative Review and Restructuring (ARR) report, a role that was previously filled by Dr. Stanley O. Ikenberry, President Emeritus. Lastly, the president provided an update on the search for a vice president and chancellor of the University of Illinois at Springfield, and said he may ask some trustees to meet with a small number of candidates for that position at a later date.

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EXECUTIVE SESSION ADJOURNED

There being no further business, the executive session adjourned at 2:30 p.m.

OLD BUSINESS

Dr. Thompson stated that the next installment of responses to questions and comments from the session titled "Building the Agenda for the Year Ahead" from the Board of Trustees retreat in July 2010 was mailed to committee members in advance of this meeting. She said that Mr. Doug Beckmann, senior associate vice president for business and finance, provided responses to questions regarding regulatory burdens, and referenced the "918 Report," which includes six priority recommendations and two areas of concern. She said his response also included information about the University's response to recent externally generated issues, which is coordinated by the office of governmental relations. She reported that Mr. Beckmann's response also referenced recommendations in a regulatory relief section in the Administrative Review and Restructuring (ARR) report, which include an amendment to the *General Rules* to allow for more efficient processing of contracts and the electronic reporting system for reporting conflicts of commitment and interest.

Dr. Thompson then reviewed additional responses to questions and comments from that session, and said that in response to a question regarding the status of major searches, a brief report was provided. She also discussed the response to the outsourcing of some human resource functions, and Ms. Strobel suggested that an analysis of outsourcing payroll be added to the list of areas under investigation by the ARR working group. Dr. Thompson next reviewed the

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response to the question pertaining to the change in the State's pension law and its affect on hiring high level staff, and indicated that it is too early to determine its affect. She mentioned that the "Self Managed Plan" will likely present the most attractive option to newly hired employees, and referred to a presentation by Ms. Maureen Parks, associate vice president for human resources, at a recent Audit, Budget, Finance, and Facilities Committee meeting on this topic. President Hogan indicated that many faculty and staff are concerned about recent and proposed changes to the State's pension system, which led to additional discussion among committee members about these changes, their affect on current and newly hired employees, and the University's response.

NEW BUSINESS

Dr. Thompson referred to a request from Chairman Kennedy that benchmark data be collected to compare the University to peer institutions, and suggested that a report of such data (a dashboard report) might be provided the Board once or twice per year with more focused reports available in conjunction with relevant Board meeting topics. Committee members discussed the use of metrics and successful examples of dashboard reports that would be helpful to the Board, and Dr. Thompson referenced a related article in *Trusteeship Magazine* concerning the importance of comparative metrics for Board members. Ms. Strobel emphasized the need to limit this type of report to one or two pages, and President Hogan referred to the difficulty of collecting data that are not housed in one location. He stated that he would work with Dr. W. Randall Kangas, associate vice president for planning and budgeting, and others throughout the University on this project.

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Committee members then discussed the date for the next meeting, and agreed that Dr. Thompson would contact trustees to determine availability to schedule a meeting in April.

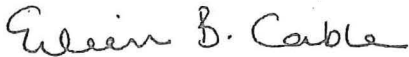
MEETING ADJOURNED

There being no further business, Ms. Strobel requested a motion to adjourn the meeting. On motion of Mr. Montgomery, seconded by Ms. Hasara, the meeting adjourned.

Respectfully submitted,



Michele M. Thompson
Clerk



Eileen B. Cable
Assistant Clerk



Pamela B. Strobel
Chair