

**UNIVERSITY OF MINNESOTA
BOARD OF REGENTS**

**Board of Regents
August 9, 2018**

A special meeting of the Board of Regents of the University of Minnesota was held on Thursday, August 9, 2018, at 2:00 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: David McMillan, presiding; Thomas Anderson, Richard Beeson, Linda Cohen, Michael Hsu, Abdul Omari, Kendall Powell, Darrin Rosha, Randy Simonson, and Steve Sviggum. Dean Johnson and Peggy Lucas participated by phone.

Staff present: Executive Vice President and Provost Karen Hanson; Senior Vice President Brian Burnett; Vice Presidents Kathryn Brown, Matt Kramer, and Allen Levine; General Counsel Douglas Peterson; and Executive Director Brian Steeves.

Regent McMillan asked the Board if anyone objected to Regent Johnson and Regent Lucas participating by phone. Hearing no objections, their remote participation was approved.

PRESIDENT'S EMPLOYMENT AGREEMENT

Regent McMillan gave a brief update on the progress of the Presidential Performance Review Committee, and its plans to deliver a full report at the September Board of Regents meeting. He described the two items of business in front of the Board for the special meeting, and summarized the key points.

A motion was made and seconded to approve President Kaler's Employment Agreement, as follows:

This Agreement is made and entered into on this ____ day of _____, 2018, by and between the Regents of the University of Minnesota ("University") and Dr. Eric W. Kaler ("Kaler"). This Agreement supersedes and replaces any prior agreements between the parties regarding Kaler's University employment. It is hereby agreed by and between the parties as follows:

1. Appointment

The University appoints and employs Kaler under the policies, supervision, and direction of the Board of Regents ("Board"), commencing on July 1, 2018, and continuing as set forth in this Agreement. From July 1, 2018, through June 30, 2019, Kaler will serve as President of the University (the "Presidential Period"). From July 1, 2019, through June 30, 2020, Kaler will serve as President Emeritus (the "Emeritus Period") of the University. From July 1, 2020, through December 31, 2020, Kaler will receive a six-month paid transitional leave of absence (the "Transitional Leave Period"). On January 1, 2021, Kaler will assume a faculty position, as described below (the "Faculty Period"). Kaler accepts and agrees to such employment.

2. Duties and Responsibilities.

A. During the Presidential Period, Kaler agrees to faithfully and industriously and with maximum application of experience, ability, and talent devote full-time attention and energies to the duties of President of the University. He shall perform all duties as required by law, by

this Agreement, and by custom and practice to be performed by a university president, including but not limited to:

- (1) Fundraising, development, public and alumni relations.
- (2) Fostering positive external relationships with the federal government, executive branch, the legislature, and local government.
- (3) Institutional, faculty, and educational leadership and management.
- (4) Long-range planning, budget formulation, and chief executive supervision of the University.
- (5) Administration of the affairs of the University of Minnesota consistent with Board policy and direction.

B. During the Emeritus Period, Kaler agrees to faithfully and industriously and with maximum application of experience, ability, and talent devote full-time attention and energies to the duties of President Emeritus as assigned by the Board, which may include but not be limited to the activities described in the Exhibit A to this Agreement; assisting as a resource in connection with the change in administration; fundraising and development; public, donor, and alumni relations; special projects; and generally serving as an ambassador for the University, as directed by the Board and its designees. The University reserves the right to change, limit, eliminate, and/or expand the duties during the Emeritus Period, in its sole discretion.

C. During the Transitional Leave Period, Kaler will engage in activities reasonably calculated to prepare him to assume his faculty position.

D. Kaler's duties and responsibilities during the Faculty Period are addressed below in paragraph 3.

E. During the Presidential Period and the Emeritus Period Kaler shall not, without prior written permission of the Chair of the Board, render services of any professional nature to or for any person or firm for remuneration other than to the Board, and shall not engage in any activity that may be competitive with or adverse to the interests of the University. During the Transitional Leave Period and the Faculty Period, Kaler's outside activities and commitments will be governed by regular University policy, including the policies on consulting and outside commitments, and conflict of interest policies.

F. Kaler shall abide by all Board and University policies applicable to his conduct throughout his University employment.

3. Appointment as Faculty Member.

Starting on January 1, 2021, Kaler will assume a position as a tenured full professor with a "B Term" (i.e., nine month) appointment in the College of Science and Engineering (the "College"), Department of Chemical Engineering and Material Science (the "Department"). Kaler will retain the title of President Emeritus as a faculty member and will hold an honorary chair to be established by the Board of Regents during the Transitional Leave Period. Kaler's work in his faculty position will be governed by regular University policy applicable to faculty, including the Faculty Tenure Code. He will report to and be supervised by the Chair of the Department, and the Dean of the College, the same as any other faculty member. His duties and responsibilities will be those regularly performed by a professor of his rank in the Department, as established by the College and the Department. In addition to the salary and benefits discussed below, Kaler's faculty work will be supported with lab and office space, research

support, .50 FTE of administrative support, travel reimbursement, and any other support typically provided in the Department to new faculty of Kaler's rank and stature in the field. During the Faculty Period, funding for Kaler's salary, benefits, and the above-described supports for his faculty work will come from non-departmental sources.

4. Salary.

During the Presidential Period and the Emeritus Period, Kaler's annual salary for the services under this Agreement shall be six hundred twenty five thousand two hundred fifty dollars (\$625,250.00). (One-half of Kaler's salary during the Emeritus Period will be paid from unrestricted philanthropic funds held for the benefit of the University.) During the six-month Transitional Leave Period, Kaler's six-month salary shall be one hundred fifty six thousand three hundred twelve dollars and fifty cents (\$156,312.50). Kaler's "B Term" (i.e., nine month) salary during the first two years of the Faculty Period shall be three hundred twelve thousand six hundred twenty-five dollars and no cents (\$312,625.00). In accordance with regular University policy, Kaler may choose to have his "B Term" (i.e., nine month) salary paid over twelve months, the same as any other faculty member. After the first two years, Kaler's faculty salary will be determined based upon the regular salary and merit review process of the Department and the College. All salary under this paragraph shall be payable in installments at such regular intervals as the University is then using for the payment of salaries. The salary is subject to furloughs, pay freezes, salary reductions or other adjustments as required by present or future University policy.

5. Supplemental Retirement Contributions.

The following amounts shall be contributed to the University of Minnesota Optional Retirement Plan or, to the extent such contribution exceeds contribution limits for such plan, to the University of Minnesota 415(m) Retirement Plan when such amounts vest:

- A. \$225,000 vesting on June 30, 2019;
- B. \$325,000 vesting on June 30, 2020.

Except as otherwise stated, Kaler must have remained continuously employed under this Agreement through the vesting date in order to qualify for any payment under this paragraph. In the event of the Kaler's death, permanent disability, or termination without cause, the University shall contribute a pro rata share of the unvested funds for the year of the event consistent with the date of his death, permanent disability or termination without cause.

6. Employee Benefits.

During the Presidential Period, the Emeritus Period, and the Transitional Period, Kaler shall be eligible for all employee benefits for which regular University academic professional and administrative employees are eligible, whether such benefits are now in effect or hereafter adopted, including without limiting the generality of foregoing, the following:

- A. Faculty retirement plans, including optional retirement plans;
- B. Medical and dental insurance; and
- C. Life and disability insurance.

All benefits shall be provided and available to the extent allowed by University policy. Kaler shall also be eligible under all other benefit arrangements available to senior administrators of the University, and any other perquisites approved by the Board. The University shall make arrangements to ensure that the life insurance provided by the University during these Periods

is two times Kaler's then current salary subject to Kaler meeting the requirements for such insurance. In addition, the University will provide disability insurance, provided Kaler qualifies under such insurance, in the amount of two thirds of salary up to a maximum of \$20,000 per month as set forth in the Academic Disability Plan and contract. During the Faculty Period, Kaler shall be eligible for all employee benefits regularly provided to members of the faculty.

7. Residence.

A. As a condition of employment, Kaler agrees to live at Eastcliff, the University's presidential residence, during the Presidential Period. The University will provide normal repairs, maintenance, utilities and staff for the house and grounds.

B. Kaler and his family shall be responsible for the purchase of all food for personal consumption while living at Eastcliff.

C. All major repairs, renovations, or other physical improvements at Eastcliff shall be submitted for review to the Eastcliff Technical Advisory Committee in accordance with Regents' policy.

D. Kaler and his family will vacate Eastcliff by the end of the Presidential Period.

E. If this contract is terminated prior to the end of the Presidential Period, Kaler and his family will vacate Eastcliff not later than thirty (30) days following the effective date of such termination.

F. The University will reimburse Kaler for reasonable moving expenses incurred in moving from Eastcliff to a new local residence, in accordance with regular University policy and procedure.

8. Expenses.

During the Presidential Period and the Emeritus Period, the University will pay or reimburse all of Kaler's reasonable and necessary expenses, including entertainment and the expenses of his spouse as necessary for University business incurred in performing his duties under this Agreement, with such expenses subject to appropriate approval under University policy. (One-half of these expenses during the Emeritus Period will be paid from unrestricted philanthropic funds held for the benefit of the University.) During the Transitional Leave Period and the Faculty Period, the University will pay or reimburse Kaler for reasonable and necessary business expenses incurred in performing his duties under this Agreement in accordance with and subject to regular University policy.

9. Evaluation.

The Board will evaluate Kaler's performance on an annual basis during the Presidential Period and the Emeritus Period, and will have periodic discussions with him concerning his objectives and accomplishments. During the Faculty period, Kaler's performance will be evaluated through the faculty review process for the Department, the same as any other faculty member in the Department.

10. Termination.

A. No payment of any kind except those already earned or vested shall be made to Kaler if the Chair of the Board notifies Kaler during the Presidential Period, the Emeritus Period, or the Transitional Period of an action by the Board to terminate this Agreement for cause, which in addition to any of its other normally understood meanings in employment contracts shall include the following:

1. Deliberate or serious violation of the duties set forth in this Agreement, or refusal or unwillingness to perform such duties in good faith.
2. Conduct of the President that constitutes moral turpitude or that would tend to bring public disrespect, contempt, or ridicule on the University.
3. Intentional or serious violation of any law, rule, regulation, constitutional provision, or bylaw of the University or local, state or federal law, which violation may reflect adversely upon the University in the sole judgment of the Board.

In the event of termination under this provision, the Chair of the Board shall discuss the matter with Kaler and provide a letter indicating the action taken. No other requirements of University policy or procedure shall apply. Any action under this provision is subject to the University grievance procedure provided that the only remedy shall be monetary in an amount not to exceed one year's salary at the rate in effect as of the date of the notice of termination.

B. Kaler may terminate his appointment without cause (i.e., resign) during the Presidential Period, the Emeritus Period, or the Transitional Leave Period by providing ninety (90) days written notice to the University. Kaler shall be responsible for aiding and cooperating in any transition to a new President to the extent requested by the Board. Except as otherwise specifically addressed herein, all University duties and obligations towards Kaler under this Agreement shall cease as of the effective date of any resignation under this paragraph.

C. During the Faculty Period, termination of appointment will be governed by the Faculty Tenure Code and any other applicable University policy, the same as with any member of the faculty.

D. If Kaler becomes unable to perform his duties hereunder due to death or disability, his employment hereunder shall terminate immediately, but his salary shall continue to be paid to him or his estate for six (6) months following such termination, provided, however, that the foregoing shall not limit Kaler's rights under any applicable disability insurance coverage, nor shall this provision in any way limit the authority of the Board to designate an acting President in the event of the disability of Kaler as determined by the Board pursuant to its Bylaws, Article III, Section C (I).

11. Notices.

All notices and other communications hereunder shall be in writing and shall be deemed given if personally delivered or mailed by registered or certified mail, return receipt requested, to the parties at the following addresses or at such other address for a party as shall be specified by like notice:

- A. If to the University, to the Secretary of the Board of Regents at 600 McNamara Alumni Center, 200 Oak Street S.E., Minneapolis, MN 55455;
- B. If to Kaler, to him at 202 Morrill Hall, 100 Church Street S.E., Minneapolis, MN 55455.

12. Entire Agreement.

This Agreement constitutes the entire understanding of the parties hereto, and supersedes any and all prior or contemporaneous representations or agreements, whether written or oral, between the parties and cannot be changed or modified unless in writing signed by the parties.

13. Governing Law.

This Agreement shall be interpreted and construed in accordance with the laws of the State of Minnesota, which shall be the forum for any lawsuit arising from or incident to this Agreement.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first written above.

Eric W. Kaler

Dated:

REGENTS OF THE UNIVERSITY OF MINNESOTA

By: _____

David J. McMillan
Chair of the Board of Regents

Dated:

By: _____

Brian Steeves
Corporate Secretary of the
Board of Regents

Dated:

Exhibit A

President Emeritus Role in Business Development, Research, and Philanthropy

Overall Goal

Continue the accelerated fundraising momentum of the University of Minnesota **Driven** campaign, with its stated goal of \$4B raised by June 30, 2021.

Key Objectives

- Deepen engagement among and giving by key stakeholders (business community, government leaders, industry partners, leadership-level donors) and University leaders.
- Focus on initiatives that align with the **Driven** campaign's priorities and address the grand challenges of our time.
- Ensure a seamless and cohesive University leadership transition that does not interrupt the **Driven** campaign momentum, gift production, and private research grants.
- Demonstrate the highest level of integrity and authenticity during period of change.

Targeted Strategies

1. Work with the Foundation to leverage faculty and U leadership relationships to bring stakeholders together to establish transformative public-private partnerships in an effort to solve key challenges. Work with Fortune 500 companies in MN to seek to better understand how the UM can be the research partner of choice. If UM is already a key research partner, ask why? If not a key research partner, why not?
2. Work with the Foundation to activate other key initiatives that utilize the President Emeritus's energy, expertise, understanding of complex scientific issues, and many

relationships across industry and the academy to catalyze emerging “big ideas” at the University and build momentum to help them advance through research and/or philanthropy

3. Work with the Foundation to engage a select group of top individual benefactors who have strong relationships with the President Emeritus in an effort to complete key gift conversations and/or advance philanthropic initiatives.
4. Actively participate in and contribute to the leadership transition strategy, as directed by the Board of Regents, including any “goodbye tour” and/or “welcome tour” that might be planned and implemented.

Regent Hsu asked for clarification on the honorary chair position to be established by the Board of Regents, and whether it has a financial component.

McMillan clarified that the honorary chair was modeled after a position created during President Bruininks’ transition but never fully implemented. He added that the position would extend to Kaler’s faculty tenure. He noted modest financial compensation, and that the Board will have control over what the position entails.

Regent Simonson asked whether the full Board will vote on this compensation, and McMillan responded that the Board will take formal action.

Regent Beeson called for a roll call vote. The vote was as follows:

Regent Anderson	Yes
Regent Beeson	No
Regent Cohen	Yes
Regent Hsu	Yes
Regent Johnson	No
Regent Lucas	Yes
Regent McMillan	Yes
Regent Omari	Yes
Regent Powell	Yes
Regent Rosha	Yes
Regent Simonson	Yes
Regent Sviggum	Yes

The Board voted 10-2 and the President’s employment agreement was approved.

Regent Cohen noted that her yes vote was reluctant because she believes the President has done an outstanding job.

PRESIDENTIAL SEARCH

Regent McMillan opened a discussion of the presidential search, and announced that nominations would be accepted through August 15, 2018 for members of the Presidential Search Advisory Committee (PSAC). He affirmed the selection of Storbeck/Pimentel & Associates as the executive search firm.

McMillan invited Alberto Pimentel, Managing Partner, and Will Gates, Partner, Storbeck/Pimentel & Associates, to discuss the search process for the 17th president of the University.

Pimentel outlined the firm’s plan for recruitment, and strong commitment to diversity and pursuing high-quality nontraditional candidates who might not normally apply for this type of

position. He described the timeline for the search, including a comprehensive plan to meet with faculty, staff, students and other key stakeholders to gather feedback on important characteristics in the future president. He described how the firm will work with the PSAC and generally outlined the kind of work it will do.

In response to a question from Regent Sviggum, Pimentel replied that his firm does not represent any of the other major universities currently looking for a president.

Regent Simonson asked about the firm's experience with nontraditional candidates. Pimentel noted that his firm has placed more than half of the 11 nontraditional candidates currently serving as president or chancellor at major universities.

In response to comments and questions from Regent Hsu regarding the application of the Minnesota Open Meeting Law and Minnesota Government Data Practices Act to presidential searches at the University of Minnesota, McMillan explained that the Office of the General Counsel is developing guidance to the Board on those topics.

Pimentel described the candidate outreach plan and the importance of professional diversity. He detailed steps in the assessment phase, which will be followed by candidate interviews.

Regent Sviggum asked if it is appropriate for Board members to reach out to potential candidates themselves. Pimentel responded that Board members are welcome to make recommendations, and that all recommendations should be channeled through the PSAC chair.

Regent Anderson echoed McMillan's emphasis on the gravity of the search. He asked how Storbeck/Pimentel will balance the need for leadership, academic heritage, and the importance of free thinking in the future president. Pimentel stressed that his firm will rely on the PSAC and Board members to identify the qualities that are truly important. In response to a question from Anderson, Pimentel stressed that if the PSAC or the Board decide that the pool of candidates is insufficient, they should prompt Storbeck/Pimentel to expand the search.

Simonson asked about a failed search that was led by Storbeck/Pimentel at the Minnesota State Colleges and Universities system. Pimentel noted that he personally was not involved in that search, but shared his view that certain aspects of the search should have been revisited.

Hsu asked about the process for creating the position profile, and whether the Board will be involved. He recalled past presidential searches when only one candidate was presented as a finalist to the Board. He also noted that the other finalists in the last presidential search dropped out late in the process because they did not want their names disclosed. McMillan clarified that the Board will have the opportunity to ratify and approve the charge to the PSAC.

Pimentel committed to ensuring that the Board will be presented with more than one final candidate.

Regent Cohen asked if the Board will have final approval of the position profile created by the committee. McMillan responded that the Board will have input, and that it can decide whether formal approval by the Board is necessary.

Simonson asked how the PSAC will be chosen. McMillan responded that he and Regent Powell have begun to map out the types of stakeholders they envision as members of the PSAC.

Regent Rosha shared his belief that community feedback should be received by the entire Board. He expressed concern that the PSAC and Board may not be aligned on which candidates should move forward. McMillan reiterated that the Board will ratify the charge and

composition of the PSAC. He noted that there will be more full Board involvement in this presidential search than in the previous one.

Regent Powell echoed Rosha's concern, and expressed hope for an inclusive search process since the Board is charged with making the ultimate decision.

Regent Beeson shared his disappointment in learning about Storbeck/Pimentel's failed search from the *Star Tribune*. He expressed concern that the firm may be going into the field too quickly with an inadequate sense of the specific characteristics needed for the future president.

In response to comments by Hsu, McMillan and Pimentel clarified that the Board will provide guidance to the PSAC and the PSAC will use that framework to inform priorities of the search.

Anderson asked what Pimentel considers to be the top attributes of successful land-grant university presidents. Pimentel responded that he considers the top four attributes to be leadership in vision, identifying new revenue streams, ensuring academic excellence, and commitment to accessibility of education.

Gates described trends in the landscape of public higher education and expectations for the future. He noted that the University will search in the same pool of candidates as other institutions, and stressed the importance of identifying the needs that are specific to the University of Minnesota. He asked the Board to consider where they want the University to be, and what kind of person will achieve that vision.

Regent Omari described some of the most critical qualities he would like to see, including focusing on students, understanding the importance of shared governance, and having a vested interest in Minnesota. He specified that candidates must understand the political history of the state and of indigenous lands.

Cohen concurred with Omari, adding that candidates must have a specific interest in serving the University of Minnesota, not just any institution.

Rosha expressed interest in analyzing how the University hires and makes decisions about compensation. He stressed the need for candidates who are more committed to serving students and the state than being highly compensated. He conveyed his approval of the hiring of Storbeck/Pimentel.

Simonson expressed a desire for candidates who will prioritize outreach to Greater Minnesota, and noted the importance of agriculture to the state.

Powell shared that the ideal candidates should be energized by the University's mission and committed to fulfilling it with integrity. He echoed the assertion made by other Regents that candidates must have an interest in this institution specifically.

Beeson noted that in listening to his colleagues, candidates need to be generalists with a working knowledge of finance and a desire to work with academic health.

Johnson conveyed interest in understanding candidates' vision for the institution for the next 5-10 years. He noted that the future president should be willing to challenge the Board if it is not aligned with the vision and strategy of the institution. He recommended looking for candidates who are well versed in politics, but without strong personal political views.

Pimentel assured the Board that his firm will work to ensure a strong candidate pool, and urged the Board to give honest feedback if they find that is not the case.

The meeting adjourned at 3:46 p.m.

A handwritten signature in black ink that reads "Brian R. Steeves". The signature is written in a cursive style with a large initial 'B' and 'S'.

BRIAN R. STEEVES
Executive Director
and Corporate Secretary