



UT System Administration Policy Library -- Policy UTS144

Establishing Compensation for Highly Compensated Employees

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POLICY STATEMENT

Institutions of The University of Texas System are charged with setting compensation levels for highly compensated personnel in such a way that compensation is reasonable and adequate documentation is maintained for supporting the reasonableness of compensation paid. This policy provides for the establishment of setting compensation for highly compensated personnel within the UT System.

RATIONALE

To accomplish its mission, The University of Texas System must attract, retain, recognize and reward the performance of high-quality, dedicated employees of competence and distinction. The market competition for such employees among employers is often intense. The compensation of highly compensated employees will be set in such a way that the public will understand that the level of compensation is reasonable when provided with full information on the basis of the compensation decision.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

<http://www.utsystem.edu/policy/policies/uts144.html>

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Policies & Standards
<ul style="list-style-type: none"> • Board of Regents' <i>Rules and Regulations</i>, Rule 20202 – Presidential Cash Compensation • Board of Regents' <i>Rules and Regulations</i>, Rule 20203 – Compensation for Key Executives • Board of Regents' <i>Rules and Regulations</i>, Rule 20204 – Highly Compensated Personnel 	<ul style="list-style-type: none"> • <i>Internal Revenue Code</i> Section 162 – Trade or Business Expense • <i>Internal Revenue Code</i> Section 4958 – Taxes on Excess Benefit Transactions • <i>Internal Revenue Manual</i>, Section 4233.27

CONTACTS

If you have any questions about UT System Administration Policy UTS 144 Establishing Compensation for Highly Compensated Employees, contact the following offices:

Subject	Office Name	Telephone Number	Email/URL
	Office of the Chancellor	512-499-4201	http://www.utsystem.edu/cha/jpankratz@utsystem.edu

DEFINITIONS

Highly Compensated Employees: Employees of the UT System whose total annual compensation is \$500,000 or more and not covered in Board of Regents' *Rules and Regulations*, Rule 20203, Compensation for Key Executives.

Total Annual Compensation: Salary or wages, employer contributions to the Teacher Retirement System of Texas and the Optional Retirement Program, practice plan salary supplements, incentive plan payments, and unpaid deferred compensation, excluding employer-provided insurance, expense allowances, and other fringe benefits.

RESPONSIBILITIES

The University of Texas System

- Attracts, retains, recognizes and rewards the performance of high-quality, dedicated employees of competence and distinction, and the compensation of highly compensated employees will be set in such a way that the public will understand that the level of compensation is reasonable when provided with full information on the basis of the compensation decision.

Institution needing to attract, retain or reward highly compensated employees

- Establishes and documents a process for use in setting the appropriate level of compensation.

Employing institutions

- Submit recommendations for total annual compensation of \$500,000 or more to the appropriate executive vice chancellor. Recommendations will include a summary of the information required by Sec. 1 in the procedures.

Board of Regents

- Approves the compensation of employees of the UT System whose total annual compensation is \$1 million or more (Board of Regents' *Rules and Regulations*, Rule 20204) and who are not covered by the Board of Regents' *Rules and Regulations*, Rule 20203.

Executive Vice Chancellors

- Consults with the Chancellor and approves the compensation of employees of the UT System whose total annual compensation is \$500,000 or more but less than \$1 million and who are not covered in Board of Regents' *Rules and Regulations*,

Rule 20203.

- Coordinates with the Chancellor any recommendations requiring Board of Regents' approval.

Chancellor

- Consults with the Vice Chancellors and approves the compensation of employees of the UT System whose total annual compensation is \$500,000 or more but less than \$1 million and who are not covered in Board of Regents' *Rules and Regulations*, Rule 20203.
- Coordinates with the Vice Chancellors any recommendations requiring Board of Regents' approval.

PROCEDURES

Sec. 1 Compensation of Highly Compensated Employees.

To accomplish its mission, The University of Texas System must attract, retain, recognize and reward the performance of high-quality, dedicated employees of competence and distinction. The market competition for such employees among employers is often intense. The compensation of highly compensated employees will be set in such a way that the public will understand that the level of compensation is reasonable when provided with full information on the basis of the compensation decision.

1.1 Process. An institution needing to attract, retain or reward highly compensated employees will establish and document a process for use in setting the appropriate level of compensation. A copy of the institution's process will be included in the institution's Handbook of Operating Procedures.

1.2 Initial Compensation. The process for setting the initial compensation of highly compensated employees will include, as a minimum, the factors listed below.

- a. the nature of the duties of the position, including level of responsibility;
- b. the need of the organization for the services of the person whose compensation is being determined;
- c. the person's background, experience, knowledge in the field, accomplishments, salary history, and time devoted to the organization;
- d. the employee's contributions to the organization's goals, objectives and success;

- e. the levels of compensation paid to similarly qualified people performing comparable duties in organizations in the market from which normally recruited, e.g., local, regional, national;
- f. the nature of the organization, e.g., purpose, size, and complexity; and
- g. the relationship to the compensation of other employees.

1.3 Adjustments to Compensation. The above factors will be included in making adjustments to the compensation of highly compensated employees, as appropriate, depending on the nature of the adjustment.

Sec. 2 Approval of Compensation for Highly Compensated Employees.

2.1 The Board of Regents must approve the compensation of employees of the UT System whose total annual compensation is \$1 million or more (Board of Regents' *Rules and Regulations*, Rule 20204) and who are not covered by Board of Regents' *Rules and Regulations*, Rule 20203.

2.2 The appropriate executive vice chancellors, in consultation with the Chancellor, must approve the compensation of employees of the UT System whose total annual compensation is \$500,000 or more but less than \$1 million and who are not covered in Board of Regents' *Rules and Regulations*, Rule 20203.

2.3 Employing institutions will submit recommendations for total annual compensation of \$500,000 or more to the appropriate executive vice chancellor. Recommendations will include a summary of the information required by Sec. 1 above. The executive vice chancellors will coordinate with the Chancellor any recommendations requiring Board of Regents' approval.

Sec. 3 Compensation Records

Appropriate records will be maintained to document compensation decisions of highly compensated employees.

3.1 UT System institutions will maintain a record of how the recommendation for total annual compensation of highly compensated employees was derived. Included in the record will be all documents or extracts thereof that support the recommendation, e.g., salary surveys, records of achievement, etc. The presidents of the institutions will designate a central location at which such records will be kept.

3.2 The appropriate executive vice chancellors will maintain the recommendations and supporting information used to set the total annual compensation of highly compensated employees.

Sec. 4 Application

This policy does not apply to the compensation of presidents and key executives for whom the compensation setting process is covered by Board of Regents' *Rules and Regulations*, Rules 20202 and 20203, respectively.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

Keywords: compensation, employees, salary, salaries
