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Board Meeting: 5/9-10/2007
Austin, Texas

Board/Committee Meetings

Wednesday, May 9, 2007

COMMITTEE MEETINGS

Academic Affairs Committee.....	9:30-10:30 a.m.
Joint Meeting Academic Affairs and Facilities Planning...	10:30-10:45 a.m.
Facilities Planning and Construction Committee.....	10:45-11:45 a.m.
Lunch.....	11:45-12:15 p.m.
Health Affairs Committee.....	12:15-1:15 p.m.
Finance and Planning Committee.....	1:15-2:15 p.m.
Audit, Compliance, and Management Review Committee.	2:15-3:15 p.m.
A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551	3:15 p.m. <i>Chairman Huffines</i>
1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071	
a. U. T. Southwestern Medical Center - Dallas: Legal issues related to the assignment of Master Services Agreements and approval of an Administrative Services Agreement (see Items 1 and 2 on Docket Pages 38-40)	<i>Mr. Burgdorf Ms. Leah Hurley, U. T. Southwestern Medical Center – Dallas</i>
b. U. T. System: Legal issues related to potential participation in the Texas Alliance for Nanotechnology (TxAN) LLC	<i>Mr. Burgdorf Mr. Sanga</i>
c. U. T. System Board of Regents: Discussion with Counsel on pending legal issues including matters related to ongoing investigations	<i>Mr. Burgdorf</i>
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074	
a. U. T. System Board of Regents: Discussion with Counsel on pending individual personnel issues including matters related to ongoing investigations	<i>Mr. Burgdorf</i>
b. U. T. Medical Branch – Galveston: Discussion regarding individual personnel matters related to the presidential search, including the selection and employment of a president	

COMMITTEE MEETING

Student, Faculty, and Staff Campus Life Committee
(including annual meeting with U. T. System Student
Advisory Council)

8:30-9:45 a.m.

D. RECONVENE THE BOARD IN OPEN SESSION

10:00 a.m.

E. APPROVAL OF MINUTES

F. CONSIDER AGENDA ITEMS

1. **U. T. System Board of Regents: Recognition of
U. T. Dallas Chess Team as National Champions
and Computing Machinery Programming Team**

10:05 a.m.

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2. **U. T. System Board of Regents: Amendment to the
Regents' Rules and Regulations, Series 10501,
concerning delegation to act on behalf of the Board
and the filing of litigation**

10:15 a.m.

Action

Mr. Burgdorf

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3. **U. T. System Board of Regents: Amendment of the
Regents' Rules and Regulations, Series 30202, Section 6
related to Deferred Compensation to effectuate a plan-
to-plan transfer of 457(b) voluntary deferred compen-
sation assets from the Employees Retirement System
of Texas to the U. T. System**

10:20 a.m.

Action

Ms. Brown

Mr. Stewart

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4. **U. T. System Board of Regents: Approval of peer
institutions for use in evaluating appropriate
compensation for U. T. System key executives
(Regents' Rules and Regulations, Series 20203)**

10:25 a.m.

Action

Mr. Andy Lewis,

Mercer Human

Resource Consulting

Mr. Martinez

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5. **U. T. System: Annual report on research and
technology transfer**

10:40 a.m.

Report

Mr. Sanga

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6. **U. T. System Board of Regents: Update on the
80th Legislative Session**

10:50 a.m.

Report

Mr. McBee

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7. **U. T. System: Presentation on the U. T. System-wide
Endowment Compliance Program**

11:00 a.m.

Report

Dr. Safady

Ms. Lynch

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8. **U. T. System: State of Tomorrow™ preview screening
and presentation**

11:15 a.m.

Report

Dr. Safady

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G. RECESS FOR MEETINGS OF THE STANDING COMMIT-
TEES AND COMMITTEE REPORTS TO THE BOARD

11:30 a.m.

H. RECONVENE BOARD OF REGENTS AS COMMITTEE OF
THE WHOLE TO ADJOURN

12:00 noon

1. **U. T. System Board of Regents: Recognition of U. T. Dallas Chess Team as National Champions and Computing Machinery Programming Team**

2. **U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Series 10501, concerning delegation to act on behalf of the Board and the filing of litigation**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 10501, Section 5.4 be amended as set forth below in congressional style:

Sec. 5 Signature Authority.

...

- 5.4 Contracts for Legal Services and Filing of Litigation. The Board of Regents delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services and such other services as may be necessary or desirable in connection with the settlement or litigation of a dispute or claim after obtaining approvals as may be required by law. Litigation to be instituted under these contracts on behalf of the Board, System Administration, or an institution of U. T. System must have the prior approval of the Vice Chancellor and General Counsel.

BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations*, Series 10501, Section 5.4 will codify the existing procedures requiring the approval of the Vice Chancellor and General Counsel before litigation is filed on behalf of the Board of Regents or a U. T. System institution. Recently, some outside counsel have not understood that their contracts for specialized legal services do not authorize the filing of litigation, without additional approval. A separate outside counsel contract specific to the litigation must be processed through the Attorney General's Office before litigation can be instituted. This amendment will make clear that litigation is not to be filed without the necessary review by the chief legal office of U. T. System.

3. **U. T. System Board of Regents: Amendment of the Regents' Rules and Regulations, Series 30202, Section 6 related to Deferred Compensation to effectuate a plan-to-plan transfer of 457(b) voluntary deferred compensation assets from the Employees Retirement System of Texas to the U. T. System**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor and General Counsel and the Vice Chancellor for Administration that the Board approve

- a. a plan-to-plan transfer of 457(b) voluntary deferred compensation assets from the Employees Retirement System of Texas to the U. T. System; and
- b. amendment to the Regents' *Rules and Regulations*, Series 30202, Section 6 related to Deferred Compensation, as set out below in congressional style, to reference the Deferred Compensation Plan offered by U. T. System, to become effective on the date the Plan Administrator verifies receipt of funds from the Employees Retirement System of Texas:

Sec. 6 Deferred Compensation – Section 457(b) Plan. As authorized by *Texas Government Code* Chapter 609, any employee may participate in a either the Deferred Compensation Plan administered by the Employees Retirement System or the U. T. Saver Deferred Compensation Plan administered by the U. T. System and established pursuant to Section 457(b) of the *Internal Revenue Code of 1986*, as amended. U. T. System employees may not participate simultaneously in both programs and may not participate in the Deferred Compensation Plan administered by the Employees Retirement System once participation has taken place in the U. T. Saver Deferred Compensation Plan.

BACKGROUND INFORMATION

Prior to the 2003 enactment of Senate Bill 1652, codified as *Texas Government Code* Section 609.701 et seq., the only 457(b) voluntary deferred compensation plan option available to employees of the U. T. System was the Employees Retirement System of Texas plan known as Texa\$aver, managed by CitiStreet.

Effective August 12, 2004, and under the authority granted by *Texas Government Code* Section 609.701, the Board of Regents authorized the establishment of its own plan, pursuant to Section 457(b) of the *Internal Revenue Code of 1986*, as amended, for U. T. System employees, known as the UTSaver Deferred Compensation Plan (UTSaver DCP).

Under the current Regents' *Rules*, an employee is permitted to participate in either Texa\$aver or the UTSaver DCP, but may not participate simultaneously in both plans, and any employee choosing to participate in the UTSaver DCP is precluded from returning to Texa\$aver. In addition, under U. T. System policy, any employee currently contributing to Texa\$aver may continue those contributions; however, all new deferred compensation plan participants must contribute to the UTSaver DCP.

Due to Internal Revenue Service limitations on account transfers, a transfer by an individual plan participant is not permitted prior to the participant experiencing a distributable event, such as severance from employment. However, federal law allows for a plan-to-plan transfer of all plan assets from an eligible governmental plan to another eligible governmental plan within the same state.

Since implementation of the UTSaver DCP, the U. T. System has received recommendations from the institutional benefit offices, payroll offices, and the Retirement Program Advisory Committee requesting consolidation of the deferred compensation assets under one plan. These recommendations were based on employee feedback and the administrative challenges of maintaining two payroll sources for 457(b) contributions.

After collaborative efforts among Employees Retirement System staff and legal counsel, the Texa\$aver plan administrator, CitiStreet, and U. T. System staff and legal counsel, it has been determined that a plan-to-plan transfer can be accomplished in compliance with federal law. Therefore, acting through delegation by the Board of Regents, the Plan Administrator of the UTSaver DCP will initiate a request to the Employees Retirement System for a transfer of all plan assets held in accounts of U. T. System employees from Texa\$aver to the UTSaver DCP and discontinue participation in Texa\$aver by U. T. System employees. In making this request, the U. T. System will agree to assume all fiduciary duties, plan administration, and other responsibilities for the deferred amounts and investment income transferred and will relieve the Employees Retirement System of those duties and responsibilities upon transfer.

It is therefore recommended that to effectuate the plan-to-plan transfer, the Regents' *Rules* be amended to provide U. T. System employees participation only in the UTSaver DCP, to become effective on the date the Plan Administrator verifies receipt of funds from the Employees Retirement System of Texas. This recommended change to the Regents' *Rules* will allow for a smooth plan-to-plan transfer.

4. **U. T. System Board of Regents: Approval of peer institutions for use in evaluating appropriate compensation for U. T. System key executives (Regents' Rules and Regulations, Series 20203)**

RECOMMENDATION

Mercer Human Resource Consulting seeks Board approval of a recommended list of peer institutions to be used to evaluate the appropriate compensation for U. T. System key executives. Mercer's list of recommended peers (The University of Texas System Compensation Peer Group Development report) is being completed and will be sent to the Board separately in advance of the meeting.

BACKGROUND INFORMATION

The Regents' *Rules and Regulations*, Series 20203 requires the alignment of executive compensation with the relevant market, utilizing a comprehensive survey and analysis to obtain current and reliable market data on total compensation of key executives (presidents, Chancellor, Executive Vice Chancellors, Vice Chancellors, General Counsel to the Board, and Director of Audits) in comparable positions at peer institutions. Series 20203 also states that peer institutions will be selected through an interactive consultative process involving the Chancellor, the Executive Vice Chancellors for Academic and Health Affairs, the presidents, and the consultant selected to conduct the comprehensive survey.

The comprehensive survey is to be conducted every three years by a compensation consultant reporting to the Board. Mercer was selected in January 2007 as consultant, following a competitive review process, and is working on the required survey. The results of Mercer's survey will be driven largely by the selection and responses of the peer institutions. For that reason, it is important that the Board have an opportunity to review and approve the peer institutions proposed for compensation benchmarking to assure Mercer provides compensation data that meets the expectations of the Board and the Special Compensation Committee of the Board.

Methodology for Compiling the List

Mercer developed the initial list of peers using an objective set of criteria to measure organizations with which U. T. competes in categories such as executive talent, research dollars, students, and funding. Thus, the list of organizations competing in these markets is often broader and, in some cases, different from the organizations the U. T. System considers to be "performance" peers as listed in the U. T. System Accountability Report.

Although the proposed peer lists are lengthy, the large number of peers is needed to ensure that Mercer achieves an adequate survey response size (at least 17 institutions) from which to draw conclusions on executive compensation. Mercer reports that the response rate for custom surveys is typically 50% to 60%. The data reported from those institutions considered to be outliers in the sample will be adjusted to account for the difference in size and complexity from the relevant U. T. institution.

The proposed peer list identifies those peer institutions used in the prior executive compensation study by Buck Consultants that are not recommended for inclusion in the current survey. Also clearly identified are recommended peer institutions not included in the previous study.

The proposed list of peer institutions is currently under review by the Chancellor, the Executive Vice Chancellor for Health Affairs, the Interim Executive Vice Chancellor for Academic Affairs, and the presidents.

5. **U. T. System: Annual report on research and technology transfer**

REPORT

Mr. Arjuna Sanga, Interim Vice Chancellor for Research and Technology Transfer, will present the annual report on research and technology transfer trends for the U. T. System as set forth in the PowerPoint on Pages 1 - 10 of the Supplemental Materials (Volume 2) of the Agenda Book. A video clip of highlights of ongoing research activities at U. T. System institutions will also be shown.

6. **U. T. System Board of Regents: Update on the 80th Legislative Session**

REPORT

Vice Chancellor McBee will provide an update on the 80th Legislative Session.

7. **U. T. System: Presentation on the U. T. System-wide Endowment Compliance Program**

REPORT

Vice Chancellor Safady and Ms. Julie Lynch, Director of Development and Gift Planning Services, will present an executive summary of the Endowment Compliance Program for the U. T. System from its inception in December 2001 through August 31, 2006. The presentation, attached on Pages 11 - 21 of the Supplemental Materials (Volume 2) of the Agenda Book, will highlight the mission and scope of the program and illustrate the four elements of the program, including (1) risk assessment, (2) a monitoring plan, (3) education and training, and (4) reporting to donors. The report will also demonstrate how continuous efforts are made to ensure that all endowments fulfill the purposes for which they were created.

8. U. T. System: State of Tomorrow™ preview screening and presentation

REPORT

The Office of the Vice Chancellor for External Relations created a public television series that examines how public higher education pursues solutions to Texas' most critical challenges. State of Tomorrow™ is completely underwritten by private sponsors including AT&T, ExxonMobil, and IBC Bank, among others. It is co-produced by the University of Texas Foundation and Alpheus Media Inc., in partnership with Austin public television station KLRU.

State of Tomorrow™ explores major challenges in many areas including public health, homeland security, energy, education, and the environment. It also represents an unprecedented collaboration of the major public university systems in Texas, including The Texas A&M University System, Texas State University System, Texas Tech University System, University of North Texas System, University of Houston System, and The University of Texas System.

A brief preview screening of a State of Tomorrow™ segment will be presented.