

**1. Title**

Compensation for Key Executives

**2. Rule and Regulation**

- Sec. 1 Compensation Philosophy. To attract, retain, and motivate the top talent needed to lead The University of Texas System and accomplish its mission, and to recognize and reward performance, the Board of Regents seeks to compensate key executives at levels that are competitive in the marketplace, cost effective, and, to the extent possible, internally equitable.
- Sec. 2 Market Review. To align executive compensation with the relevant market, the Office of the Board of Regents will oversee the conduct of a comprehensive survey and analysis to obtain current and reliable market data on total compensation of key executives in comparable positions at peer institutions. Market data will be adjusted using cost of living information related to respondent's geographic region. The survey will be conducted every three years. In non-survey years, the Office of the Board of Regents will obtain information concerning general changes in executive compensation in the marketplace, and the comprehensive survey will be adjusted accordingly.
- Sec. 3 Elements of Compensation. The elements of compensation may include and are limited to base salary; short and long-term incentive pay; supplemental retirement plans, such as deferred compensation plans; one-time merit pay; special provisions necessary to recruit an individual to a key executive position, such as salary supplement for a limited time or one-time relocation payment as necessary and prudent to recruit the top talent for the position; and perquisites such as memberships, parking privileges, and provision of or allowance for cell phone and/or other mobile communication devices as determined necessary for business purposes and as covered in individual agreements. Key executives must promptly reimburse the institution for any personal use of a membership provided by the institution. All compensation set pursuant to this Rule must comply with all applicable state and federal laws and must be approved and documented in budget summaries. All compensation for service as a key executive is covered by this Rule. Elements of compensation paid on behalf of a chief administrative officer must be disclosed in the annual report of expenses required by [Rule 20205](#).
- Sec. 4 Peer Institutions. Peer institutions or groups of institutions will be selected through an interactive, consultative process between the

Chancellor, Executive Vice Chancellors, presidents, and the organization engaged to conduct the comprehensive survey. To the extent possible, the same institutions will be surveyed during each comprehensive survey. Peer institutions may be changed based on sound business decisions; such changes will be fully disclosed to the Board of Regents. The Executive Vice Chancellors will maintain the list of peer institutions. Factors to consider in selecting peer institutions include size, purpose, institutions used in assessing U. T. System performance and those from which U. T. System competes for key executives.

- Sec. 5 Approval by Board of Regents. All proposed elements of compensation, including taxable and nontaxable items, will be presented to the Board of Regents for approval in advance of the annual budgeting process.
- Sec. 6 Determining Compensation. In setting a key executive's initial compensation, the following factors should be considered: relevant market data, current compensation, cost of living differences, internal equity, and the U. T. System budget. Where appropriate, U. T. System may target the 75<sup>th</sup> percentile of the market rate of a key executive's peer institutions. Factors to consider in making future adjustments to a key executive's compensation include market data, key executive performance, the institution's progress on key performance indicators, internal equity, and the U. T. System budget.
- Sec. 7 The presidents will implement appropriate policies and procedures concerning executive compensation for the direct reports at each U. T. System academic and health institution.

### 3. Definitions

Key executive(s) – include the Chancellor, General Counsel to the Board, Chief Audit Executive, Executive Vice Chancellors, presidents of each of the U. T. System academic and health institutions, and Vice Chancellors.

### 4. Relevant Federal and State Statutes

*Texas Education Code* [Section 65.31](#) – General Powers and Duties

### 5. Relevant System Policies, Procedures, and Forms

Regents' *Rules and Regulations*, [Rule 20202](#) – Cash Compensation for Chief Administrative Officers

**6. Who Should Know**

Chancellor  
Chief Audit Executive  
Direct reports to the Board of Regents  
Executive Vice Chancellors  
Presidents  
Vice Chancellors

**7. System Administration Office(s) Responsible for Rule**

Office of the Controller

**8. Dates Approved or Amended**

Editorial amendments to Section 4 and Numbers 3 and 6 made September 25, 2018  
Editorial amendment to Number 5 made September 8, 2016  
Editorial amendments to Section 4 and Numbers 3 and 6 made July 13, 2015  
Editorial amendment to Number 5 made January 14, 2014  
Editorial amendment to Number 3 (Definitions) made April 10, 2012  
Editorial amendment to Number 7 made September 1, 2010  
August 10, 2006  
December 10, 2004

**9. Contact Information**

Questions or comments regarding this Rule should be directed to:

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