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## ESTABLISHING COMPENSATION FOR HIGHLY COMPENSATED EMPLOYEES

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### A. Purpose

To accomplish its mission, The University of Texas Rio Grande Valley (UTRGV) 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. Moreover, this policy is intended to ensure adequate documentation is maintained to support the reasonableness of the compensation paid.

### B. Persons Affected

This policy applies to all UTRGV employees, including faculty and administrative and professional staff.

### C. Definitions

1. Highly Compensated Employees - Employees of UTRGV whose total annual compensation is \$500,000 or more and not covered in The University of Texas System Board of Regents' *Rules and Regulations*, Rule 20203, Compensation for Key Executives.
2. 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.

### D. Policy

UTRGV is 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. UTRGV adopts this policy to comply with UTS144, Establishing Compensation for Highly Compensated Employees, and incorporates by reference UTS144.

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

1. the nature of the duties of the position, including level of responsibility as described in the job description;
2. the need of the organization for the services of the person whose compensation is being determined;

3. the person's background, experience, knowledge in the field, accomplishments, salary history, and time devoted to the organization;
4. the employee's contributions to the organization's goals, objectives, and success;
5. 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;
6. the nature of the organization, e.g., purpose, size, and complexity; and
7. The relationship to the compensation of other employees.

**E. Procedure**

1. Required Approval based on recommended Total Annual Compensation:
  - a. *Executive Vice Chancellor Approval* - The appropriate Executive Vice Chancellors, in consultation with the Chancellor, must approve the compensation of UTRGV employees 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.
  - b. *Board of Regents' Approval* -The UT System Board of Regents must approve the compensation of UTRGV employees 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. The UTRGV Office of Human Resources will collect the information required to comply with this policy from the respective involved departments and the incumbent. All needed information along with a salary recommendation will be collected and forwarded by the President's Office to the appropriate approver at the UT System in accordance with UTS 144. The Executive Vice Chancellors will coordinate with the Chancellor any recommendations requiring Board of Regents' approval.

**F. Relevant Federal and/or State Statute(s), Board of Regents' Rule(s), UTS Policy(ies), and/or Coordinating Board Rule(s)**

UTS144, Establishing Compensation for Highly Compensated Employees

Internal Revenue Code, Section 162– Trade or Business Expense

Internal Revenue Code, Section 4958 – Taxes on Excess Benefit Transactions

*Internal Revenue Manual*, Section 4233.27

The University of Texas System Board of Regents' Rules and Regulations Rule 20202, Cash Compensation for Chief Administrative Officers

The University of Texas System Board of Regents' Rules and Regulations Rule 20203, Compensation for Key Executives

The University of Texas System Board of Regents' Rules and Regulations Rule 20204, Determining and Documenting the Reasonableness of Compensation