



**THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS' MEETING
DECEMBER 6, 2012**

		Page
CONVENE IN OPEN SESSION TO CONSIDER AGENDA ITEMS	<i>10:30 a.m.</i>	
1. U. T. System Board of Regents: Approval of Consent Agenda	<i>10:31 a.m.</i>	
a. Employment Agreement - U. T. System: Appointment of J. Michael Peppers as Chief Audit Executive and conforming changes to Regents' <i>Rules and Regulations</i>, Rule 20401, regarding Audit and Compliance	Action	3
b. Facilities Planning and Construction - U. T. San Antonio: John Peace Library Building Renovations - to increase total project cost and appropriation of additional funds		7
2. U. T. System: Student Debt Reduction Task Force Report	<i>10:33 a.m.</i>	
	Report <i>Dr. Kelley</i>	8
3. U. T. System Board of Regents: Designation of U. T. System Recognition Day	<i>10:53 a.m.</i>	
	Action	9
4. U. T. System Board of Regents: Approval to amend The University of Texas Investment Management Company (UTIMCO) Code of Ethics	<i>10:54 a.m.</i>	
	Action	10
5. U. T. System: Discussion and appropriate action related to a plan for comprehensive educational and health opportunities in South Texas and appropriation of related funding including appropriation for medical education in South Texas	<i>11:00 a.m.</i>	
	Action <i>Chancellor Cigarroa</i>	12
LUNCH	<i>12:30 p.m.</i>	
RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551	<i>1:00 p.m.</i>	
1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071		
U. T. System Board of Regents: Discussion with Counsel on pending legal issues		
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074		
a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees		

b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to performance incentive compensation goals for Presidents and U. T. System Executive Officers

3. Negotiated Contracts for Prospective Gifts or Donations -
Section 551.073

U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

4. Deliberation Regarding Security Devices or Security Audits -
Section 551.076

U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON
EXECUTIVE SESSION ITEMS

2:55 p.m.

ADJOURN

3:00 p.m.

1. **U. T. System Board of Regents: Approval of Consent Agenda**

The Board will be asked to approve the Consent Agenda items set forth below:

a. **Employment Agreement - U. T. System: Appointment of J. Michael Peppers as Chief Audit Executive and conforming changes to Regents' Rules and Regulations, Rule 20401, regarding Audit and Compliance**

- The employment agreement summarized below has been executed as approved by the Audit, Compliance, and Management Review Committee, and is recommended for approval by the U. T. System Board of Regents.

Item: Chief Audit Executive

Funds: \$365,000 annually. This rate is subject to annual review.

Period: Beginning January 1, 2013

Description: Agreement for employment of J. Michael Peppers as U. T. System Chief Audit Executive. The Chief Audit Executive reports to the Audit, Compliance, and Management Review Committee of the Board of Regents and the Chancellor and shall hold office subject to the pleasure of the Audit, Compliance, and Management Review Committee of the Board of Regents and the Chancellor.

Additional elements of the employment package will be payment of reasonable costs for expenses related to moving household, personal, and professional possessions; the storage of those items as necessary; and the continued provision of temporary housing, if necessary, until May 31, 2013.

- Additionally, the Chancellor and the General Counsel to the Board recommend a conforming change to the Regents' *Rules and Regulations*, Rule 20401, regarding Audit and Compliance, as set forth below, to remove language concerning service without fixed term for the Chief Audit Executive.

Sec. 1.1 Chief Audit Executive. . . .

- (a) The Chief Audit Executive shall be appointed by the Audit, Compliance, and Management Review Committee after nomination by the Chancellor. The Chief Audit Executive shall hold office ~~without fixed term~~, subject to the pleasure of the Audit, Compliance, and Management Review Committee and the Chancellor. The Chancellor's actions regarding the Chief Audit Executive are subject to review and approval by the Audit, Compliance, and Management Review Committee.

. . . .



The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Chancellor Francisco G. Cigarroa, M.D.
U. T. System
601 Colorado Street, Suite 404
Austin, Texas 78701-2982
Phone: (512) 499-4201

Francie A. Frederick, General Counsel to the Board
U. T. System Board of Regents
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November 28, 2012

The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas – Pan American
The University of Texas
of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler

The University of Texas
Southwestern Medical Center
The University of Texas
Medical Branch at Galveston
The University of Texas
Health Science Center at Houston
The University of Texas
Health Science Center at San Antonio
The University of Texas
M. D. Anderson Cancer Center
The University of Texas
Health Science Center at Tyler

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Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE
Interim Chief Audit Executive
The University of Texas System Audit Office
702 Colorado Street, Suite 3.100
Austin, Texas 78701

Dear Mike:

This is to officially convey, at the request of the Audit, Compliance, and Management Review Committee (ACMRC) for The University of Texas System Board of Regents, the Committee's pleasure at your acceptance of the position of Chief Audit Executive (CAE) for the U. T. System.

Your beginning annual salary rate will be \$365,000 starting on January 1, 2013. This rate is subject to annual review, and this agreement may be modified annually accordingly. In addition to the annual salary, all other State-paid fringe benefits required to be provided to higher education employees, by State law and for which you are eligible, will be provided.

Additional elements of your employment package will be payment of reasonable costs for expenses related to moving household, personal, and professional possessions, including the preparation of items for your move, and the storage of those items and continued provision of temporary housing, as necessary, until May 31, 2013.

In your position as CAE for the U. T. System, you are responsible for the duties normally associated with an audit executive. During employment, and excluding any periods of vacation or sick leave to which you are entitled, you agree to devote full time attention to the business affairs of U. T. System and to use your reasonable best efforts to perform faithfully and efficiently such responsibilities.

You agree to know, recognize, and comply in all respects with applicable law, Board of Regents' *Rules and Regulations*, and U. T. System policies in the performance of your duties and obligations.

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The ACMRC shall have the right and option to suspend your employment for a period of time with or without pay or to terminate your employment and this agreement for cause. In the event that your employment is terminated for cause, all obligations of U. T. System to make further payment or provide any other consideration hereunder shall cease as of the date of termination. In no case shall U. T. System be liable to you for the loss of any collateral business opportunities or any benefits, perquisites, income, or consequential damages suffered by you as a result of the U. T. System's termination of your employment.

Cause, as defined herein, means any of the following with respect to your position of employment with U. T. System:

- a) Loss of any professional license required to perform the duties of the position
- b) Negligence, fraud, or willful violation of any law or significant U. T. System Policy
- c) Failure to substantially perform the duties reasonably consistent with best audit practices, as determined by the ACMRC of the U. T. System Board of Regents, provided however, that you are entitled to receive written notice of such failure and shall have thirty (30) days from such written notice to resolve or cure such failure to the satisfaction of the ACMRC.

The ACMRC shall have the right to terminate your employment and this agreement without reason and without cause at any time. In the event this agreement is terminated without cause, (1) all obligations of the System to you pursuant to this agreement shall cease as of the date of any such termination, (2) you shall be eligible for any post-termination benefits applicable to regular employees of System, and (3) System shall pay to you, in lieu of any and all other legal remedies or equitable relief available to you, liquidated damages in the amount equal to your current total annual salary for the year in which you are terminated, discounted to net present cash value at an agreed market interest rate, prevailing at the time, consistent with *Texas Education Code* Section 51.948.

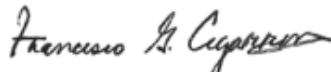
With the sole exception of payments required by this agreement, in any instance of termination for cause or without cause, you hereby waive any claim against U. T. System and its respective officers, directors, agents, employees, successors, and personal representatives for consequential damages by reason of any alleged economic loss. You acknowledge that in the event of termination of this agreement for cause, without cause, or otherwise, you shall have no right to occupy the position of Chief Audit Executive and that your sole remedies are provided herein and shall not extend to injunctive relief.


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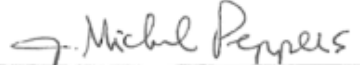
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Thank you for your incredible contributions as the Interim Chief Audit Executive for U. T. System. The members of the ACMRC and the undersigned look forward to the opportunity to continue working with you as the Chief Audit Executive for U. T. System.

Sincerely,


Francisco G. Cigarroa, M.D.,
Chancellor


Francie A. Frederick, General
Counsel to the Board of Regents


J. Michael Peppers, CIA, CRMA,
CPA, FACHE

FAF:mk

c: Chairman Wm. Eugene Powell
ACMRC Chairman Brenda Pejovich
Members, U. T. System Board of Regents
Associate Vice Chancellor, Controller and Chief Budget Office Randy
Wallace



b. Facilities Planning and Construction - U. T. San Antonio: John Peace Library Building Renovations - to increase total project cost and appropriation of additional funds

Item: Amendment of the FY 2013-2018 Capital Improvement Program (CIP) to increase total project cost and appropriation of additional funds for the John Peace Library Building Renovations project

Funds: Amend the FY 2013-2018 CIP to increase the total project cost from \$7,300,000 to \$9,300,000; and appropriate and authorize expenditure of additional funding of \$2,000,000 from Designated Funds

Source of Funds: Designated Funds (from Student Fees)

Period: The project was added to the CIP on August 12, 2010, and substantial completion is scheduled by August 1, 2013

Description: The scope of Phase Three has increased to include new furniture and technology purchases. These additions, coupled with rising construction costs, result in an increase in the total project cost.

2. U. T. System: Student Debt Reduction Task Force Report

REPORT

Executive Vice Chancellor Kelley will report on the findings and recommendations of the Student Debt Reduction Task Force, using the report titled *College "Credit": Reducing Unmanageable Student Debt and Maximizing Return on Education*.

The Task Force was formed in response to the Action Plan for the Framework for Advancing Excellence throughout The University of Texas System to research strategic issues that would increase undergraduate student access and success by reducing the financial impact of student debt on students and families.

Task Force members

Scott Kelley, Ed.D. (Austin, Texas)
Philip Aldridge, M.B.A. (Austin, Texas)
Natalie Butler (Austin, Texas)
Samantha Dallefeld, M.D. (Austin, Texas)
John Frederick, Ph.D. (San Antonio, Texas)
Willis Hulings, M.B.A. (Weston, Massachusetts)
Leon Leach, M.B.A., Ph.D. (Houston, Texas)
Budge Mabry, B.B.A. (Austin, Texas)
Rod Mabry, Ph.D. (Tyler, Texas)
Tom Melecki, Ph.D. (Austin, Texas)
James M. Montoya, M.A. (New York City, New York)
Elaine Rivera, M.B.A. (Edinburg, Texas)
Sandra Woodley, M.B.A., D.B.A. (Austin, Texas)
Paul Wozniak, M.B.A. (Park City, Utah)

3. **U. T. System Board of Regents: Designation of U. T. System Recognition Day**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents designate the second Friday in November as an annual U. T. System Recognition Day as recommended by the U. T. System Employee Advisory Council (EAC).

BACKGROUND INFORMATION

One of the recommendations made by the EAC to the Board on November 15, 2012, was to designate the second Friday in November as an annual U. T. System Recognition Day to show a spirit of loyalty and pride for the U. T. System and the U. T. System institutions. The selection of a day in November was premised on the first meeting of the Board of Regents, which occurred on November 15, 1881.

The EAC further requested that this day not be conjoined with institution-specific employee recognition activities and that each institution determine how it will promote and celebrate this day.

4. **U. T. System Board of Regents: Approval to amend The University of Texas Investment Management Company (UTIMCO) Code of Ethics**

RECOMMENDATION

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve an amendment to the UTIMCO Code of Ethics as set forth below.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest; or
- (3) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee.

(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.

(d) Notwithstanding the prohibitions provided by this section, the CEO, with the approval of the Chairman of the Policy Committee, may waive the application of this section with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee has a pecuniary interest as a result of Section 1.02(12)(C) of this Code so long as such spouse, minor child, or other dependent Relative is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity.

BACKGROUND INFORMATION

Texas Education Code Section 66.08 requires that the U. T. System Board of Regents approve the UTIMCO Code of Ethics (Code) and any changes thereto. The Code was last amended on August 12, 2010. The proposed change is based on the joint efforts of the UTIMCO staff,

Andrews Kurth LLP (UTIMCO outside counsel), and U. T. System staff. The U. T. System Vice Chancellor and General Counsel finds that the changes are consistent with *Texas Education Code* Section 66.08. The amendment to the Code was approved at the November 9, 2012, meeting of the UTIMCO Board.

The proposed addition of Subchapter C, Section 3.01(d) would permit the CEO of UTIMCO, with the approval of the Chairman of the Policy Committee, to waive the application of Section 3.01 with respect to an agreement or transaction with a business entity in which the spouse, minor child, or other dependent Relative of an Employee received more than 5% of his or her income from the entity in the prior year (i.e., a pecuniary interest as defined in Section 1.02(12)(C) of the Code) when the individual is not in a management or executive officer position and does not have control of the operating or financial decisions of the business entity.

5. **U. T. System: Discussion and appropriate action related to a plan for comprehensive educational and health opportunities in South Texas and appropriation of related funding including appropriation for medical education in South Texas**

DISCUSSION AND RECOMMENDATION

Chancellor Cigarroa plans to lead a discussion and recommend appropriate action related to the development of plans to expand comprehensive educational and health opportunities in South Texas, and appropriation of related funding including appropriation for medical education in South Texas.