



EXECUTIVE
PERFORMANCE
INCENTIVE
COMPENSATION PLAN

FOR
PRESIDENTS AND SYSTEM
ADMINISTRATION EXECUTIVE OFFICERS

EFFECTIVE: SEPTEMBER 1, 2016
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EXECUTIVE PERFORMANCE INCENTIVE COMPENSATION PLAN
THE UNIVERSITY OF TEXAS SYSTEM
PRESIDENTS AND SYSTEM ADMINISTRATION EXECUTIVE OFFICERS

I. BACKGROUND

The Executive Performance Incentive Compensation Plan for The University of Texas System Presidents and UT System Administration Executive Officers (Incentive Plan) is designed to provide structure for the annual review and consideration of incentive reward that is based on predetermined performance goals.

The original Incentive Plan, dated September 1, 2012 is hereby amended effective September 1, 2016, and shall be as follows.

II. INCENTIVE PLAN OBJECTIVES

The Incentive Plan serves a number of objectives, as follows:

- Supports the strategic mission of The University of Texas System by setting performance objectives aligned with attainment in focus areas.
- Provides a mechanism to enhance The University of Texas System's ability to provide competitive pay levels to attract the highest quality Presidents and System Administration Executive Officers.
- Rewards and helps to retain high-performing Presidents and System Administration Executive Officers through the provision of incentive compensation.
- Focuses the attention and efforts of key executive on the issues that are most important to the mission of The University of Texas System by placing a significant fraction of the executive's compensation on attainment of specific goals.

III. THE PLAN DESIGN

Eligibility

The University of Texas Presidents and The University of Texas System Administration Executive Officers will be Participants in the Incentive Plan for a performance period if, and only if, he or she is both:

- ✓ employed by The University of Texas System in an employment position that is designated as an “Eligible Position,” (See Attachment A) and,
- ✓ selected by the Board of Regents as eligible to participate in the Incentive Plan.

Generally, employees who are newly hired or promoted into an Eligible Position on or before March 1 of a given year may participate on a prorated basis. The Board of Regents in its discretion may designate the employment position of a newly-hired or promoted employee as eligible to participate in the full Incentive Plan for any performance period or remainder of a performance period.

An employee will cease to be a Participant in the Incentive Plan on the earliest to occur of:

- the date such employee is no longer employed in an Eligible Position;
- the date of termination of the Incentive Plan;
- the date such employee commences a leave of absence;
- the date the Board of Regents designates that such employee’s employment position is not an Eligible Position; or
- any date designated by the Board of Regents as the date on which said employee is no longer a Participant.

Setting Performance Goals

Performance goals for the upcoming fiscal year will typically be finalized annually no later than August 31. Performance goals for newly eligible Participants will normally be finalized within 60 days of eligibility. The performance period for Participants will be from September 1 through August 31 of each fiscal year.

Performance goals will be established annually with final approval by the Chancellor or his or her designee. Each Participant may have both Systemwide goals and specific university or functional goals. Performance goals should be realistic, but aggressive, and should address the highest-level issues of greatest priority in advancing institutions and The University of Texas System.

Assessing goal attainment

Assessing attainment of performance goals will include holistic consideration of the degree to which an individual effectively executed their duties and addressed issues of greatest priority, and, as appropriate, may include either quantitative goals and/or qualitative goals. These assessments will be completed for the prior fiscal year, generally in October, in preparation for the Regents consideration at its November Board of Regents' meeting. Recommendations for each Participant's incentive award will typically be considered by the Board of Regents at their November meeting.

As a guide, three levels will be used to assess performance relative to establish performance goals:

1. **Threshold** means that an individual came close to meeting, but did not fully meet a goal.
2. **Target** means that an individual fully met a goal.
3. **Maximum** means that an individual significantly exceeded a goal.

Primary assessors of performance goal attainment will be the appropriate Executive Vice Chancellor for the Presidents, and the Chancellor (or his or her designee) for System Administration Executive Officers. The Chancellor will conduct a final review of the assessments and make recommendations to the Board of Regents.

Incentive Award Specifics

The University of Texas System will continue to target total direct compensation for key executives as per Regents' Rule 20203: Compensation for Key Executives.

The incentive award covered within this Incentive Plan is 15% of a Participant's base salary.

Award opportunity levels will be adjusted to reflect the Participant's success in attaining performance goals. Based upon meeting Threshold, Target or Maximum the awards will be provided as follows:

1. meeting **threshold** will earn the Participant 50% of the potential award;
2. meeting **target** will earn 100% of the potential award, and
3. significantly exceeding, **maximum**, the Participant will earn 150% of the potential award.

Of note, the Board of Regents has full discretion over the amount of the approved award and is not obligated to make any award.

Incentive Award Payments

Incentive awards will be considered annually following the performance period, and will normally be approved at the Board of Regents' November meeting and paid as soon as practical thereafter, in compliance with current Internal Revenue Service regulations.

Incentive award payments will be made in lump sum and may be deferred, subject to Internal Revenue Service limitations.

Calculation of prorated incentive awards, if applicable, will be based on the Participant's attainment of performance goals and the length of time a Participant was eligible to receive an incentive award during the performance period. Explanation of payment of incentive awards upon termination of employment follow.

All incentive awards will be subject to any deductions as noted:

1. for tax withholding required by federal, state, or local law at the time such tax and withholding is due (irrespective of whether such incentive award is deferred and not payable at such time), and
2. for any and all amounts owed by the Participant to The University of Texas System at the time of payment of the incentive award. The University of Texas System will not be obligated to advise an employee of the existence of the tax or the amount that The University of Texas System will be required to withhold.

Payment of Incentive Award upon Termination of Employment

Except as otherwise noted below, any Participant who ceases to be a Participant, either because of termination of employment with The University of Texas System (including a U. T. System institution), or for any other reason stated below, prior to the end of a performance period will not be eligible to receive payment of any incentive award for that or any subsequent performance periods.

If a Participant ceases to be a Participant in the Incentive Plan prior to the end of the performance period because he or she commences an approved leave of absence or retires, such Participant's incentive award for the current performance period, if any, will be calculated on a prorated basis from the first day of the performance period to the date coinciding with the date the Participant commences such leave of absence or retirement, and such individual will not be entitled to any incentive awards for any performance period thereafter (unless he or she again becomes a Participant as previously described)

If a Participant transitions from one Eligible Position to another during a fiscal year, and is in an Eligible Position for an entire performance period, the award will be calculated by prorating performance from the Eligible Positions.

The following chart outlines the treatment of the incentive award upon termination of a Participant's employment:

Termination reason	Forfeit	Prorated	Discretion of Board of Regents
Death		X	
Disability		X	
Retirement		X	
Quit	X		
Termination			X

Annual Due Dates

Annual Due Date	Action
July 15 Propose Goals for Upcoming Year Developed Using the Template Provided by Chancellor's Office	Proposed goals for upcoming fiscal year are developed by employee (plan participant) and submitted to the appropriate individual (Chancellor or Executive Vice Chancellor) for consideration.
August 31 Goal Review Process and Final Approval	Performance goals for upcoming fiscal year are discussed with employee (plan participant), possibly revised, and finally approved by the appropriate individual (Chancellor or Executive Vice Chancellor) by August 31.
September 15 Self-Assessment of Prior Year's Goal Attainment	Self-assessment of prior year's goal attainment prepared by employee (plan participant) and submitted to appropriate individual (Chancellor or Executive Vice Chancellors).
October 15 Performance Evaluations	Performance evaluations completed.
November Incentive Award Recommendations	Chancellor makes recommendations to the Board of Regents for payment of incentive awards. Awards are paid as soon as possible following Board of Regents' approval.

IV. INCENTIVE PLAN AUTHORITY, RESPONSIBILITY AND INTERPRETATION

Authority

Except as otherwise specifically provided, this Incentive Plan will be administered by the Chancellor, or the Chancellor's designee.

The Board of Regents and the Chancellor have all powers specifically vested herein and all powers necessary or advisable to administer or direct administration of the Incentive Plan as it determines in its discretion, including without limitation, the authority to:

1. establish the conditions for the determination and payment of compensation by establishing the provisions of the Incentive Plan,
2. select the employees who are eligible to be Participants in the Incentive Plan, and
3. designate to any other person, committee, or entity any of its ministerial powers and/or duties under the Incentive Plan, as long as any such delegation is in writing and complies with Regents' Rules.

Responsibility/Rights

The Board of Regents has the right in its discretion to amend the Incentive Plan or any portion thereof from time to time, to suspend it for a specified period or to terminate it entirely, or any portion thereof.

If the Incentive Plan is suspended or terminated during a performance period, Participants will receive a prorated incentive award based on performance achieved through the performance measurement date immediately preceding such suspension or termination. The Incentive Plan will be in effect until suspension or termination by the Board of Regents.

All records for the Incentive Plan will be maintained by the Office of the Chancellor.

Interpretation

Consistent with the provisions of the Incentive Plan, the Board of Regents has the discretion to interpret the Incentive Plan and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Incentive Plan. All decisions made by the Board of Regents in selecting the Participants approved to receive incentive awards, including the amount thereof, and in construing the provisions of the Incentive Plan, including without limitation the terms of any incentive awards, are final.

ATTACHMENT A

LIST OF ELIGIBLE POSITIONS

System Administration Executive Officers

Executive Vice Chancellor for Health Affairs, The University of Texas System Administration

Executive Vice Chancellor for Business Affairs, The University of Texas System Administration

Executive Vice Chancellor for Academic Affairs, The University of Texas System Administration

Vice Chancellor for Health and Academic Affairs, The University of Texas System Administration

Vice Chancellor for External Relations, The University of Texas System Administration

Vice Chancellor for Strategic Initiatives, The University of Texas System Administration

Vice Chancellor and General Counsel, The University of Texas System Administration

Vice Chancellor and Chief Governmental Relations Officer, The University of Texas System Administration

Vice Chancellor for Federal Relations, The University of Texas System Administration

Presidents

President – The University of Texas at Arlington

President – The University of Texas at Austin

President – The University of Texas at Dallas

President – The University of Texas at El Paso

President – The University of Texas of the Permian Basin

President – The University of Texas Rio Grande Valley

President – The University of Texas at San Antonio

President – The University of Texas at Tyler

President – The University of Texas Southwestern Medical Center

President – The University of Texas Medical Branch at Galveston

President – The University of Texas Health Science Center at Houston

President – The University of Texas M. D. Anderson Cancer Center

President – The University of Texas Health Science Center at San Antonio

President – The University of Texas Health Science Center at Tyler