



**TABLE OF CONTENTS
FOR
MEETING OF THE BOARD**

February 6-7, 2008
Edinburg, Texas

Wednesday, February 6, 2008

- A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (working lunch) (*Executive Room, ITT 1.214, International Trade and Technology Building, U. T. Pan American*) *12:30 p.m.*
Chairman Caven
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
- a. **U. T. Southwestern Medical Center – Dallas: Discussion of individual personnel matters related to presidential search**
- b. **U. T. Health Science Center – Houston: Discussion of individual personnel matters related to presidential search**
- c. **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 Director of Audits), and U. T. System and institutional employees**
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
- a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues** *Mr. Burgdorf*
- b. **U. T. System: Discussion and consideration of potential action regarding legal issues related to current law on holistic admissions plans** *Mr. Burgdorf*
- c. **U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to the proposed border fence** *Mr. Burgdorf*

Wednesday, February 6, 2008 (continued)

Board/Committee Meetings

- 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

*Dr. Safady
President Powers*

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

1:55 p.m.

- C. RECESS

2:00 p.m.

COMMITTEE MEETINGS (*International Room, ITT 1.102, International Trade and Technology Building, U. T. Pan American*)

- Facilities Planning and Construction Committee.....
- Health Affairs Committee.....
- Academic Affairs Committee.....
- Finance and Planning Committee.....
- Joint Finance and Audit Committee.....

*2:15 p.m.
3:15 p.m.
4:15 p.m.
5:15 p.m.
6:00 p.m.*

- D. RECESS

6:15 p.m.

Thursday, February 7, 2008

**Board/Committee
Meetings** **Page**

COMMITTEE MEETINGS (Concurrent)

Audit, Compliance, and Management Review Committee
(Executive Room, ITT 1.214, International Trade and
Technology Building, U. T. Pan American)

9:00 a.m.

Student, Faculty, and Staff Campus Life Committee
(International Room, ITT 1.102, International Trade and
Technology Building, U. T. Pan American)

9:00 a.m.

E. RECONVENE THE BOARD IN OPEN SESSION

10:00 a.m.

F. APPROVAL OF MINUTES

G. CONSIDER AGENDA ITEMS

**U. T. System Board of Regents: Remarks by Senator
Lucio on Medical Education in the Rio Grande Valley**

10:02 a.m.
Senator Lucio

1. **U. T. System: Chancellor's Quarterly Update**

10:12 a.m.
Report
Chancellor Yudof

1

2. **U. T. System: Update on implementation of the U. T.
System Strategic Plan**

10:22 a.m.
Report
Dr. Malandra

1

3. **U. T. System: Report on development of major
investment impact metrics**

10:32 a.m.
Report
Dr. Malandra

1

4. **U. T. System: Annual accountability and performance
report of campus development offices**

10:42 a.m.
Report
Dr. Safady

1

5. **U. T. System Board of Regents: Amendment of the
Regents' Rules and Regulations to permit selected
employees in the U. T. System to participate in a
Deferred Compensation, Section 457(f) Plan**

10:52 a.m.
Action
Mr. Wallace

2

6. **U. T. System Board of Regents: Discussion and
appropriate action regarding the Permanent University
Fund distribution rate**

10:55 a.m.
Action
Chairman Caven
Chancellor Yudof

5

7. **U. T. System Board of Regents: Discussion and
appropriate action regarding proposed recipient for
Santa Rita Award**

11:15 a.m.
Action

6

H. RECESS FOR MEETINGS OF THE STANDING COMMITTEES
AND COMMITTEE REPORTS TO THE BOARD

11:20 a.m.

I. RECONVENE AS A COMMITTEE OF THE WHOLE

11:29 a.m.

J. ADJOURN

11:30 a.m.

1. **U. T. System: Chancellor's Quarterly Update**

REPORT

Chancellor Yudof may report on activities of The University of Texas System.

2. **U. T. System: Update on implementation of the U. T. System Strategic Plan**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will present a progress overview on implementation of the U. T. System Strategic Plan and on the timeline for development and completion of institution strategic plans.

Supplemental Materials:

- **Strategic Plan: Progress on Goals and Initiatives on Pages 1 – 7 of Volume 2.**
- **Campus Strategic Plans on Pages 8 – 10 of Volume 2.**

3. **U. T. System: Report on development of major investment impact metrics**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will report on the development of the process to identify and track investment impact metrics which will, over time, document the results of Board investments in major capital projects and talent initiatives.

Supplemental Materials: Investment Impact Metrics Process on Pages 11 – 14 of Volume 2.

4. **U. T. System: Annual accountability and performance report of campus development offices**

REPORT

Vice Chancellor Safady will present the annual accountability and performance report of U. T. System campus development offices. In 2004, Dr. Safady initiated a new, annual review of campus development operations and the preparation of a customized

feedback report for each institution. The report offers an assessment of current development activity and a framework for performance measurement and continuous improvement. With demand on U. T. System institutions to increase philanthropic support, this new service aims to help each institution achieve its strategic objectives. This annual review is aligned with the goals of the U. T. System's comprehensive Accountability and Performance program.

Supplemental Materials: PowerPoint presentation on Pages 15 - 33 of Volume 2.

5. U. T. System Board of Regents: Amendment of the Regents' Rules and Regulations to permit selected employees in the U. T. System to participate in a Deferred Compensation, Section 457(f) Plan

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the U. T. System Board of Regents amend Sections 7 and 9 of the Regents' *Rules and Regulations*, Series 30202, regarding Employee Benefits, as set forth below in congressional style to allow for the creation of an Institution Prototype Deferred Compensation Plan (Prototype Plan) and to clarify that the adoption of any retirement benefit plan requires approval by the Board of Regents.

Sec. 7 ~~Deferred Compensation – Section 457(f) Plan Discretionary Bonus Plans. As authorized by *Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a)*, the Board has approves the establishment of deferred compensation – Section 457(f) discretionary bonus plans established a plan pursuant to Section 457(f) of the *Internal Revenue Code* of 1986, as amended, for the benefit of a select group of employees. Only employees designated by the Board as eligible employees may participate in the plan.~~

7.1 Purpose of the Plans. Such plans provide financial incentives in recruiting highly qualified candidates for employment and encouraging existing qualified employees to continue to devote their best efforts to the service of the institutions of the U. T. System.

7.2 U. T. System Plan. The Board has established a deferred compensation – Section 457(f) discretionary bonus plan pursuant to Section 457(f) of the *Internal Revenue Code* of 1986, as amended, for the benefit of a select group of employees as defined by the Board.

(a) Delegation of Authority. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs the power and authority to amend the U. T. System Deferred Compensation Plan consistent with applicable law and to take all actions and to make all decisions and interpretations that may be necessary or appropriate to administer and operate the U. T. System Deferred Compensation Plan ~~(the "Plan")~~ as further provided in the such Plan.

(b) Record Keeping. The Executive Vice Chancellor for Business Affairs will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain the such Plan in accordance with Sections 457(f) and 409A of the *Internal Revenue Code*, consistent with *Texas Revised Civil Statutes Annotated* Article 6228a-5 Section 3(a).

7.3 Institution Prototype Plan. The Board of Regents has promulgated a prototype deferred compensation – Section 457(f) discretionary bonus plan which may be adopted by the various academic or health institutions. Only employees of the adopting institution with the appropriate approvals may participate in the Prototype Plan as adopted.

(a) Administration of the Plan. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs the authority to amend the Prototype Plan consistent with applicable law and to take all actions and to make all decisions and interpretations that may be necessary or appropriate to administer and operate the Prototype Plan.

(b) Delegation to the Executive Vice Chancellor. The Board of Regents delegates to the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs, as appropriate, the authority to approve an institution's adoption of the Prototype Plan, designation of an eligible employee to participate in such Plan, and the setting of the amount of deferred compensation to be made available to the eligible employee under such Plan.

(c) Delegation to the President. The Board of Regents delegates to the President of the adopting institution the authority to designate eligible employees of such institution to participate in the Prototype Plan and the amount of deferred compensation with the approval of the appropriate

Executive Vice Chancellor. The President will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain the institution's adoption of the Institution Deferred Compensation Prototype Plan in accordance with Sections 457(f) and 409A of the Internal Revenue Code consistent with Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a).

7.4 Not Eligible for Retirement Benefits. Deferred compensation is not part of the base salary and shall be reported as a separate element of the employee's cash compensation. Deferred compensation is not eligible for Teacher Retirement System or Optional Retirement Program retirement benefits or other retirement benefits.

...

Sec. 9 The adoption of any type of retirement benefit plan, not listed in this Series or mandated by State law, requires the approval of the Board.

....

BACKGROUND INFORMATION

U. T. System institutions currently administer the following four types of Deferred Compensation – Section 457(f) Plans:

1. Discretionary Bonus Plan. Plans currently exist at U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, and U. T. M. D. Anderson Cancer Center.
2. Defined Benefit Plan. Plan exists at U. T. M. D. Anderson Cancer Center.
3. Money Purchase Pension Plan. Plan exists at U. T. M. D. Anderson Cancer Center.
4. Excess Benefit Plan. Plan exists at U. T. M. D. Anderson Cancer Center.

The Chancellor and U. T. System officers have determined that a standard Prototype for a discretionary bonus plan (the first plan above) would allow for better coordination and the assurance that decisions related to deferred compensation are in compliance with the most recent amendments to and interpretations of relevant tax law. Participants in an Institution Prototype Plan and the amount to be deferred would be recommended by the president of the institution to the appropriate Executive Vice Chancellor for approval

and would not require approval by the Board of Regents. The current discretionary bonus plans at U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, and U. T. M. D. Anderson Cancer Center would be phased out and new participants from those institutions would participate in the Prototype Plan.

The adoption of any type of retirement benefit plan by an institution of the U. T. System, other than the Prototype Plan, will require approval by the Board of Regents.

6. U. T. System Board of Regents: Discussion and appropriate action regarding the Permanent University Fund distribution rate

Chairman Caven and Chancellor Yudof will lead a discussion concerning the Board's current Permanent University Fund (PUF) distribution rate. The Board may take action on the rate, if deemed appropriate.

BACKGROUND INFORMATION

The PUF Investment Policy Statement states that the annual distribution from the PUF to the Available University Fund (AUF) shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year. Per this formula, the amount approved by the Board of Regents for distribution from the PUF in Fiscal Year 2008 was \$448,942,761.

The PUF distribution rate was last modified by the Board of Regents on August 9, 2001, when the PUF Investment Policy Statement was amended to increase the rate from 4.50% to 4.75%.

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes.
2. The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved.

3. The annual distribution from the PUF to the AUF during any fiscal year made by the Board of Regents may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the Board of Regents (except as necessary to pay PUF bonds debt service).

7. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed recipient for Santa Rita Award**

RECOMMENDATION

Chairman Caven may make a recommendation for award of the Santa Rita Award, the highest honor bestowed by the Board of Regents.

Supplemental Materials: Regents' *Rules and Regulations*, Series 10601, on Pages 34 - 35 in Volume 2.

BACKGROUND INFORMATION

The criteria for selection include such factors as:

- A demonstrated concern for the principles of higher education
- A deep commitment to the furtherance of the purposes and objectives of The University of Texas System
- A record of commitment to securing appropriate financial support for the System from both the public and private sectors
- A demonstrated record of participation in the affairs of the System, which serves as a high example of selfless and public-spirited service.