



Establishing Compensation for Highly Compensated Personnel

Purpose

To accomplish its mission, Stephen F. Austin State University (SFASU) 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.

Persons Affected

This policy applies to all SFASU employees, including faculty and administrative and professional staff. This policy does not apply to key executives as defined in The University of Texas System (UT System) Board of Regents' *Rules and Regulations*, Rule 20203, Compensation for Key Executives.

Definitions

Highly Compensated Personnel: Employees of SFASU whose total annual compensation is or may exceed \$1,000,000 and who are not covered in Regents' *Rules and Regulations*, Rule 20203, Compensation for Key Executives.

Total Annual Compensation: This includes an employee's salary or wages, practice plan supplements, incentive plan payments, and unpaid deferred compensation and excludes employer-provided insurance, expense allowances, employer contributions to Teacher Retirement System of Texas and Optional Retirement Program, and other fringe benefits.

Policy

SFASU 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. SFASU adopts this policy to comply with UTS144, Establishing Compensation for Highly Compensated Personnel, and incorporates by reference UTS144.

The process for setting the initial compensation of Highly Compensated Personnel will include, as a minimum, the factors listed below:

1. the nature of the duties of the position, including level of responsibility;
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 person'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, or national;
6. the nature of the organization, e.g., its purpose, size, and complexity; and
7. the relationship to the compensation of other employees.

Procedures

The SFASU Office of Human Resources will collect the information required to comply with this policy from the respective involved departments and the person. All needed information along with a recommendation for Total Annual Compensation of \$1,000,000 or more will be collected and forwarded by the President's Office to the Executive Vice Chancellor for Academic Affairs in accordance with UTS144.

All initial Total Annual Compensation and changes to Total Annual Compensation for Highly Compensated Personnel including for athletic directors and head coaches not approved through the annual operating budget process must also be submitted to UT System via the Request for Budget Change (RBC) system. Those RBC items requiring approval by the UT System Board of Regents as required below will be added to the next consent agenda by the SFA consent agenda coordinator.

Total Annual Compensation for athletic directors and head coaches that equals or exceeds the amount specified by Regents' *Rules and Regulations*, Rule 10501 Section 2.2.12 must be approved by the UT System Board of Regents pursuant to that section.

The UT System Board of Regents must approve initial Total Annual Compensation and changes to Total Annual Compensation that may exceed the amount set as the approved institutional contract threshold discussed in Regents' *Rules and Regulations*, Rule 10501, Subsection 2.2.17, except as otherwise required or allowed by Rule 10501 for athletic directors or coaches or as approved by the Chancellor of the UT System as indicated below. This approval can occur through the approval of the annual operating budget or as a stand-alone item during the fiscal year.

Changes of up to five percent per year in an SFA employee's Total Annual Compensation that was approved by the Board pursuant to the process and requirements identified above if the changes were not included in the annual operating budget are to be submitted to UT System for approval by the Chancellor.

All other initial Total Annual Compensation and changes to Total Annual Compensation for Highly Compensated Personnel that do not exceed the approved institutional contract threshold discussed in Regents' *Rules and Regulations*, Rule 10501, Subsection 2.2.17, are to be submitted to UT System for approval.

Related Statutes or Regulations, Rules, Policies, or Standards

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



Regents' *Rules and Regulations*, Rule 10501, Delegation to Act on Behalf of the Board
Regents' *Rules and Regulations*, Rule 20202, Cash Compensation for Chief Administrative Officers
Regents' *Rules and Regulations*, Rule 20203, Compensation for Key Executives
Regents' *Rules and Regulations*, Rule 20204, Determining and Documenting the Reasonableness of Compensation

UTS 144 Establishing Compensation for Highly Compensated Employees

UT System Operating Budget Rules

Responsible Executive

President

Forms

Not applicable

Revision History

September 1, 2023 (original)