

Mr. Cunningham- unfortunately, Chairman Huffines is unable to meet with you given his business schedule. I understand you are in receipt of the applicable Regents' *Rules and Regulations* regarding executive compensation. That said, we are providing the following statement from Chairman Huffines and the UT System for your consideration. Please let me know if you have additional questions.

The following is attributable to Regents' Chairman James R. Huffines:

"Each UT president is responsible for managing complex campus operations. Four UT System campuses have operating budgets in excess of \$1 billion, and all 15 institutions collectively are responsible for educating more than 194,000 students and employing more than 86,000 faculty and staff. I am convinced that the Board's ability to recruit and retain presidents to effectively manage these institutions with the ultimate goal of advancing excellence in education, research, health care and service within Texas justifies the current levels of compensation. That said, the Board and UT System leadership are keenly aware of the current economic environment, and it is the reason Chancellor Cigarroa and the campus presidents proactively took steps to freeze senior executive salaries at both the UT System Administration and the 15 UT campuses through Fiscal Year 2010."

The following is attributable to the UT System:

The UT System Board of Regents annually reviews the performance and compensation of key executives including the campus presidents. To attract, retain and motivate the top talent needed to lead our institutions and accomplish their respective missions, the Board of Regents seeks to compensate key executives at levels that are competitive in the marketplace, cost effective and, to the extent possible, internally equity.

In setting a key executive's initial compensation, the following factors are considered: relevant market data, current compensation, cost-of-living differences, internal equity and the UT System budget. Where appropriate, UT System may target the 75th percentile of the market rate of a key executive's peer institutions. Factors to consider in making future adjustments to a key executive's compensation include market data, key executive performance, the institution's progress on key performance indicators, internal equity and the UT System budget.

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