

### **Policy on Endowed Chairs and Professorships**

The University of California is committed to the tradition and importance of endowed chairs and endowed professorships, including distinguished professorships, in recognizing and fostering academic excellence among its faculty. All endowment funds and their payouts should be used for the enrichment of University programs. This Policy recognizes the obligation of the State of California to be the primary fund source for support of the University's core faculty positions. The University also recognizes the desire of donors to support a wide variety of academic and research activities through the creation of endowed funds to enhance, in perpetuity, State support for the University's mission.

Endowed chairs and professorships are reserved for distinguished scholars and teachers. An endowed chair or professorship provides funds to a chair holder in support of his or her teaching, research, and service, and is supported by payout from an endowment fund, a fund functioning as an endowment, or from an annual allocation. In addition, unless expressly prohibited by the gift instrument, an endowed chair or professorship may provide payout to support the base salary and/or other salary components of a chair holder. An administrative endowed chair provides funds in support of the teaching, research, and service activities of the department, research unit, school, or college. The President is authorized to approve all endowed chairs and professorships, and to issue administrative guidelines and procedures to implement this Policy. The total amount required to establish an endowed chair or professorship shall be not less than \$350,000, although higher minima may be established by individual Chancellors. The establishment and naming of endowed chairs and professorships shall be pursuant to this Policy and are contingent on fulfillment of funding of the endowment and subject to University policies, guidelines, and procedures to ensure appropriate financial and organizational controls.

**Administrative Guidelines and Procedures:**

**Endowed Chairs and Professorships**

**A. Scope of Policy and Administrative Guidelines and Procedures**

1. The University Policy on Endowed Chairs and Professorships authorizes the establishment of endowed chairs and professorships to provide recognition for the distinguished achievements of faculty.
2. The Policy on Endowed Chairs and Professorships and these Administrative Guidelines and Procedures shall apply to all funds named in honor of a donor or others that provide direct supplemental support for individual faculty members. This includes those chairs for which:
  - a. the funding is provided by an endowment, a fund functioning as an endowment, or an annual allocation;
  - b. the funding is derived from a gift or a discretionary administrative source; and
  - c. the funding is provided on a term basis for a specified period consistent with gift terms or administrative allocation terms.

The Policy and these Administrative Guidelines and Procedures cover endowed chairs and endowed professorships, including distinguished professorships and all other similar arrangements established under other names (but not including fellowships). For convenience, all such arrangements will collectively be referred to as “endowed chairs.”

Endowed chairs established prior to this Policy (May 21, 1998) shall, to the extent consistent with the original intent of the donor and terms of the governing gift or allocation instrument, be administered in conformity with the Policy and with these Administrative Guidelines and Procedures. To the extent there are inconsistencies, the original intent of the donor and the terms of the gift or allocation instrument shall govern.

3. An endowed chair provides funds to a chair holder in support of his or her teaching, research, and service responsibilities, and is supported by assets from sources listed in A.2. In addition, unless expressly prohibited by the gift instrument, chair payout may be used to support the base salary and/or other salary components of a chair holder. For definitions of payout and base salary, see Sections D.1. and D.5, respectively. To establish a chair, a fund of at least \$350,000 is required. If a chair is to be funded through an annual gift for current use or an administrative allocation, the initial allocation, as well as future allocations, must at least equal the amount of the annual payout approved by The Regents on an endowment with a market value of \$350,000. This condition will provide the growth necessary to respond to inflation. This minimum also applies to deferred gifts or bequests, the present value of the remainder interest of which shall be used to determine whether the minimum is met. Chancellors may establish higher minima to meet individual campus needs. (See also Section B.7.)
4. An *administrative endowed chair* is held by an administrator such as a Department Chair, Director of an Organized Research Unit, Dean or Provost of a school or college, Vice Chancellor, or Chancellor. (See also Sections C.3. and D.3.) Fund payout for an administrative chair shall provide support for the teaching, research, and service activities of the department, research unit, school, or college.

**B. Establishment and Naming of an Endowed Chair**

1. By action of the Board of Regents on March 15, 1996, the President has been granted authority to establish and name endowed chairs.
2. The subject area of the endowed chair, if any, must be consistent with the mission of the University of California and the academic plan of the campus.
3. No final commitment to establish and name an endowed chair shall be made to a prospective donor prior to Presidential approval.
4. If a gift for support of an endowed chair is intended also to provide support for other purposes, the governing gift instrument shall either:
  - a. stipulate the percentage of the total gift or the residual corpus or the dollar level to be directed to the additional purposes; or
  - b. grant such discretionary authority to the Chancellor.

In the absence of such a stipulation by the donor, the total gift shall be allocated for support of the endowed chair.

5. A pledge to establish an endowed chair shall be in a form such as to constitute a legally binding commitment by the donor.
6. Chairs established on behalf of a Campus Foundation shall be supported by a binding agreement to transfer endowment payout at least annually to The Regents for support of the endowed chair.
7. The establishment of an endowed chair shall be contingent upon completion of funding by an agreed upon date. The gift instrument or allocation shall include a payment schedule specified at the time of Presidential approval, unless a legally binding, irrevocable commitment is in effect to complete the funding by bequest or deferred gift, for which there can be no predetermined termination date. Following approval by the President and until funding is completed, the chair will be deemed “conditionally established.” A chair that has not reached full funding by the end of the specified period shall be reviewed by the Chancellor or the Chancellor’s designee to determine the appropriate action, including the possible completion of funding from alternate sources, the disestablishment of the chair, or other action. (See Disestablishment of an Endowed Chair, Section E)
8. All proposals to fund all or any portion of a chair fund through a deferred gift or legally binding commitment to bequeath shall be reviewed by the Treasurer and the General Counsel as part of the process to establish and name the chairs. The deferred gift and legally binding commitment to bequeath each must have an estimated present value remainder interest equal to or in excess of the minimum dollar amount required to fund the chair. The calculation of the estimated remainder interest can be made by the campus planned giving office.  
  
A proposal from a donor to create an endowed chair with assets to be held by a fiduciary external to The Regents or the Campus Foundation must be approved by the Treasurer and the General Counsel.
9. All donors should be encouraged to include in the governing gift instrument provisions permitting:
  - a. the addition of payout to principal;

- b. the alternative University uses of payout during the period prior to full funding of the endowment or when the chair is vacant; and
  - c. the reallocation to alternative University uses if the minimum funding level is not ultimately realized or if the subject area ceases to be consistent with the University's mission and the academic plan of the campus. Sample language regarding these provisions is included in the addendum to this document. (See Addendum)
- 10. Establishment and naming of an endowed chair must involve consultation with the appropriate committee(s) of the Academic Senate.
- 11. The naming process for an endowed chair is included in the University Policy and Procedures on Naming University Properties, Programs, and Facilities. A chair may be named in honor of the donor or other honoree, including a current active faculty member, designated by the donor, subject to approval by the President.
- 12. Full disclosure of the campus gift and recurring administrative fee practices shall be made in writing to donors at or prior to the time of the gift.

**C. Appointment to the Endowed Chair**

- 1. Appointments to endowed chairs shall be made in accordance with regularly established University procedures for faculty appointments, except as noted in Section C.3. The designation of a faculty member for appointment to a chair is made by the campus in accordance with the standards and procedures of the campus.
- 2. An endowed chair may be filled by one individual for an indefinite period or for a prescribed period, unless otherwise provided in the terms of the gift instrument or the terms of the administrative allocation. The Chancellor may reassign a chair in accordance with campus procedures, including consultation with the Academic Senate. In such cases, notification to a current chair holder should be provided.
- 3. As provided in Section A.4., an endowed chair holder may serve simultaneously in an administrative position such as Department Chair, Director of an Organized Research Unit, Dean or Provost of a school or college, Vice Chancellor or Chancellor. The University has distinct appointment procedures for chair holders and for administrative officers, so these appointments must therefore be reviewed separately. In the case of an

administrative endowed chair (see also Section D.3.), the administrative officer is automatically designated as the chair holder.

4. The Chancellor or the Chancellor's designee shall review endowed chairs that remain vacant for a consecutive period of three years to ensure that the University meets its legal obligation under California trust law to fulfill the terms of the gift and to expend endowment payouts consistent with those terms. The General Counsel has advised that accumulated payout should not be allowed to exceed five years of payout. (See also Section D.4.)
5. A campus may appoint a chair holder to an approved chair prior to completion of the pledge payments. Such a chair would be referred to as "conditionally established." The chair payout will be made available to the chair holder in accordance with the terms of the gift instrument or the administrative allocation. If the donor has specified that the payout be added to the principal until the endowment is fully funded, then the payout will be added to the chair principal. Under these circumstances, the chair holder will not receive the payout until the endowment equals the value of the pledged amount. In the event of a chair that does not reach full funding by the end of the specified period see provisions for disestablishing endowed chairs in Section E.

**D. Use of Fund Payout**

1. Fund payout is defined as the dollar amount for current expenditure made available from an endowment held by The Regents or the Campus Foundation, or from an annual administrative allocation.
2. Fund payout is provided to holders of endowed chairs to support teaching, research, and service activities of a chair holder. In addition, fund payout may be used to support the base salary and/or other salary components of a chair holder. (See also Section D.5.) Expenditures shall be made in accordance with the gift or administrative allocation terms, according to a budget recommended annually by the chair holder to the Department Chair and approved by the appropriate campus administrator in the normal budgetary process, except as noted in Section D.3. Consistent with the foregoing, and following consultation with the appropriate campus administrator or counsel, the Chancellor may approve a chair holder's proposal to allocate a portion of the fund payout for support of the academic endeavors of the department or campus for a specified period, consistent with gift terms.
3. Fund payout is provided to holders of administrative endowed chairs (see also Sections A.4. and C.3.) to support the teaching, research, and service activities of the department, research unit, school, or college. The administrative chair

holder shall determine use of the payout according to a budget approved annually by the appropriate campus administrator in the normal budgetary process.

4. The Chancellor or the Chancellor's designee shall review the terms of the fund at least every five years and take the necessary actions to ensure that the University is fulfilling its legal obligation to utilize chair payouts fully in a manner consistent with the gift instrument.
5. Unless expressly prohibited by the gift instrument, fund payout may be used to support the base salary, or a portion of the base salary, of a chair holder. Base salary is defined as salary paid to a faculty member for his/her teaching, research, service, and other University duties during the course of the year. The use of endowment payout to support the base salary must be made in accordance with University policy and campus procedures. (See also Section F.1.)

The payout from a chair endowment may also be used to support other salary components, for example, the off-scale component of salary, sabbatical supplement, summer salary of the chair holder, or additional compensation under an approved compensation plan in accordance with applicable policies, or other additional compensation permitted by University policy.

6. In the event an established, fully-funded chair has remained vacant for a period of three years or more, or in the event that the chair's accumulated income exceeds five years of payout, the campus shall review the fund's terms and administrative history to ascertain the reason for the accumulation and take appropriate corrective action *consistent with the terms of the gift instrument or consistent with the terms of the administrative allocation*. Such action may include:
  - a. Implementing a new expenditure plan designed to fill the chair and/or to utilize the payout fully;
  - b. Seeking a reallocation of the fund by the Chancellor providing for an alternative purpose for utilization of the fund payout consistent with the terms of the gift instrument;
  - c. Seeking redesignation of the chair and/or fund purpose by the Chancellor, following consultation with and approval of the donor;

- d. If the donor is not available, seeking Court approval with the assistance of the General Counsel for a redesignation of the chair and/or fund purpose; or
- e. Seeking approval by the fund fiduciary (The Regents or the Campus Foundation) for the addition of accumulated unspent payout to the fund principal in conjunction with a new expenditure plan.

**E. Disestablishment of an Endowed Chair**

1. The establishment of an endowed chair is contingent on completion of funding. A chair whose endowment has not reached full funding either by the end of the specified pledge period or the maturity of the deferred gift or bequest shall be reviewed at the campus, such a review to include any alternative uses for the payout prescribed by the gift or allocation instrument and/or through discussions with the donor. If appropriate, with the concurrence of the General Counsel, the Chancellor may propose to the President the disestablishment of the chair and the alternate use of the chair funding.
2. Subject to the donor's approval and upon recommendation by the Chancellor, the President, in consultation with General Counsel, is authorized to disestablish an endowed chair in the event that:
  - a. the subject area ceases to be consistent with the University's mission and the academic plan of the campus; or
  - b. the endowed chair remains vacant for a period of three years and the Chancellor, after consultation with the appropriate Dean or Provost and the Department Chair, determines there is no likelihood of filling the chair.
3. Upon disestablishment of an endowed chair funded through a gift, the fund payout shall be reallocated to the alternative purpose stated in the gift instrument or as subsequently specified by the donor in consultation with the Chancellor and the General Counsel. If a donor is deceased and has not specified an alternative purpose, the campus shall request the assistance of General Counsel to obtain court approval for an alternative use of fund payout in a related field.

**F. Campus Procedures**

1. Each campus shall have written procedures on the establishment and naming of endowed chairs, the disestablishment of endowed chairs, the filling of chairs, and the use of endowment payout for faculty salaries. These procedures shall incorporate and be consistent with the Policy on Endowed Chairs and Professorships and with these Administrative Guidelines and Procedures.
2. Copies of campus policies and procedures on endowed chairs shall be forwarded to the Provost and Senior Vice President for Academic Affairs, with a copy to the Vice President for University and External Relations.

**G. Reporting**

1. The President shall report quarterly to The Regents on the establishment and naming and the disestablishment of endowed chairs and reallocation of chair funds.
2. The Chancellor shall provide to the President on a fiscal-year basis a list of all endowed chairs noting which are filled, which are vacant and how long each vacancy has existed, which have been disestablished and the reallocation of chair funds. (See the attached report format.) The report shall include the following information for each chair:
  - a. chair name;
  - b. academic unit;
  - c. code for the discipline (as on attached report format);
  - d. year approved, or, if for a term chair, the inclusive years during which the chair will be in effect;
  - e. entity that holds the endowment (The Regents or Campus Foundation);
  - f. pledged amount;
  - g. book value at year-end;
  - h. market value at year-end;
  - i. unexpended payout at year-end;

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- j. confirmation of a current appointment to the chair (signified by “Y” for yes), vacancy of the chair (signified by the number of months or years the chair has been vacant), or disestablishment of the chair (signified by “D”) and reallocation of chair funds (signified by “R”).
- 3. Gift documents for chair endowments held by The Regents and the Campus Foundations must be filed with the Office of the President.

**Addendum**

Set below is sample language for a gift letter or agreement establishing an endowed chair regarding the addition of payout to principal and alternate uses of the payout.

The total return earned by the chair endowment in excess of the amount approved for distribution by [The Regents or the Campus Foundation Board of Trustees] shall be retained in the fund to protect the fund from the effects of inflation and to allow for growth of earnings. Furthermore, the addition to the endowment fund's principal of the expendable distribution is authorized at the Chancellor's discretion when the distribution is not needed for purposes of the chair. In addition, during periods when the chair is vacant, the Chancellor is authorized to utilize the expendable distribution for purposes closely related to the field represented by the chair.

It is our wish that the chair exist in perpetuity. We understand, however, that unforeseen circumstances may alter the academic plan of the University or remove the subject area from the campus academic plan. In such circumstances, or if the endowment should not meet the pledged amount, the Chancellor of the University of California, [campus], is authorized to redesignate the purpose of this endowed fund, taking into consideration our expressed wishes as to the designated purpose that we have described in this document.

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**Report Format**  
**Total number of chairs: \_\_\_\_\_**

**CAMPUS NAME**  
**(fiscal year)**  
**Endowed Chairs, Distinguished Professorships and Similar Programs**

| Chair Name                                                                                                                                                                                    | Academic Unit | Code for Discipline | Year Approved* | Fiduciary (R or F) | Pledged Amount | Book Value at 6/30 | Market Value at 6/30 | Unexpended Payout at 6/30 | Filled (Y) Disestablished (D) or Reallocated (R) Duration Vacant |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------------|----------------|--------------------|----------------|--------------------|----------------------|---------------------------|------------------------------------------------------------------|
| <b>Code for disciplines:</b>                                                                                                                                                                  |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Agriculture (A)</b>                                                                                                                                                                        |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Engineering (E) (including civil, electrical, computer and information sciences, industrial, materials)</b>                                                                                |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Letters &amp; Sciences</b>                                                                                                                                                                 |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Humanities (H) ( including classics, letters, languages, fine and applied arts)</b>                                                                                                        |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Life and Biological Sciences (L) (including integrative biology, biochemistry &amp; molecular biology, genetics, immunology, neuroscience, physical education &amp; human biodynamics)</b> |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Physical Sciences (P) (including astronomy, chemistry, entomology, geology, geophysics, mathematics, physics, statistics)</b>                                                              |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Social Sciences (S) (including ethnic and women's studies, anthropology, demography, economics, history, linguistics, political science, psychology, sociology)</b>                        |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Professional Schools (B)--other than health sciences (architecture, business/management, education, journalism, landscape architecture, law, public policy, social welfare)</b>            |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Health Sciences (M) (including medicine, dentistry, nursing, optometry, pharmacy, public health)</b>                                                                                       |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Veterinary Medicine (V)</b>                                                                                                                                                                |               |                     |                |                    |                |                    |                      |                           |                                                                  |
| <b>Miscellaneous and Multi-disciplinary (X) (including administration, athletics, financial aid undesignated by discipline, libraries, museums)</b>                                           |               |                     |                |                    |                |                    |                      |                           |                                                                  |

\*For a term chair, list the inclusive years during which the chair will be in effect.