

# UCB Administrative Guidelines for Endowed Chairs

## I. General

### A. Purpose

An endowed chair provides funds to a chair holder in support of his or her teaching, research, and service, and is supported by a payout from the endowment fund, or a fund functioning as an endowment, or from an annual allocation. In addition, unless expressly prohibited by the gift instrument and consistent with university policy and campus procedures, an endowed chair or professorship may provide payout to support the base salary and/or other salary components of a chair holder, consistent with the campus policy on non-19900 funds .

Endowed chairs are reserved for distinguished scholars and teachers. Chairs may be used to honor a distinguished colleague or to attract to the Berkeley campus a valuable new member of the faculty. An administrative endowed chair provides funds in support of teaching, research, and service activities of the department, research unit, school, or college.

### B. Policy

The policy on endowed chairs and professorships approved by The Regents in May 1998 is generally incorporated into these procedures. They can be found in Academic Personnel Policy Section 191 .

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## II. Solicitation and Acceptance of Endowed Chairs

### A. Funding

1. An endowed chair will be funded with a minimum corpus of \$2,000,000. Establishment of the fund requires acceptance of one of the following:
  - a. Cash or legally binding pledge from an individual, a group of individual donors, or an organization that immediately or within a specific period of time will create a corpus of \$2,000,000.

Pledges for such gifts shall be accompanied by a partial payment of at least one-third of the total, and the instrument of gift shall include a proposed payment schedule.

Pledges to the UC Berkeley Foundation shall be supported by a binding pledge from the Foundation to transfer the chair payout to The Regents annually at the beginning of the fiscal year or more frequently if so requested by a department.

- b. A legally binding commitment to provide payout from a corpus of at least \$2,000,000 held inviolate by an external trustee.
  - c. 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 or the UC Berkeley Foundation on an initial endowment with a market value of \$2,000,000. This condition will provide the growth necessary to respond to inflation.
  - d. A fundraising campaign for at least \$2,000,000, approved by the Chancellor upon recommendation by the Vice Chancellor's Administrative Council.
2. In the case of securities, a chair should be established based on the independent appraised value (mean market value) obtained by the University on the date the donor relinquished control of the gift.
  3. In the case of real or personal property, a chair should be established based on the net proceeds. For donor relations purposes, the donor should receive credit for the appraised value obtained by the University on the date the donor relinquished control of the gift.
  4. The full funding of the minimum required to initially endow a chair and must come from gifts rather than growth in principal while invested by the UC Berkeley Foundation or The Regents.
  5. The minimum required to fund a chair endowment that provides payout to support the base salary and/or other salary components of a chair holder is \$5 million.

## B. Terms

1. All contacts and discussions with prospective donors and approval to establish and name a chair shall be coordinated through the Vice Chancellor-University Relations in accordance with campus solicitation policy.
2. Prior to any formal commitment on the part of the University to a prospective donor and prior to any campaign solicitation for an endowment in a specific field or department, the appropriate dean and departmental chair must have authorization for a faculty provision or have an existing general fund faculty provision for the holder of the chair. Further, the area for the chair must be sufficiently broad and must be consistent with the long-range academic plan of the unit.
3. Any commitment to a prospective donor for establishing and naming a chair must stipulate that establishment and naming of the chair are subject to Presidential approval.
4. University Relations-Fund Administration should review all language in terms before terms are finalized with a donor. This ensures that all chairs meet with campus and University policy.
5. A chair may be named in honor of the donor or an honoree proposed by the donor, subject to Presidential approval, including active or emeritus faculty.
6. The terms should state whether the corpus will be held as an endowment by The Regents or the UC Berkeley Foundation, unless a legally binding commitment has been made by the donor to provide income from a corpus held inviolate by an external trustee or annual payments.
7. The terms of acceptance of a gift shall state that should the designated area of study no longer be a part of the Berkeley campus's academic program, the payout from the endowment will be used to support a chair in a related area, subject to approval by the Chancellor, upon recommendation of the dean, giving consideration to the donor's original intent.
8. The terms should also provide maximum flexibility for the use of income, in the event that chair is vacant.
9. A donor may designate that a chair will be an administrative chair and that the chair holder is to serve simultaneously as dean of a school or college or as chair or director of a department or other instructional program or research unit.
10. A donor may provide at the time the gift is made that unexpended payout may be added to principal. Such provision may allow for reinvestment at the discretion of the

Chancellor or may allow for specific circumstances for reinvestment. The campus may include such provision for reinvestment as part of all agreements with donors of endowed chairs. Reinvestment of payout to principal may not be used to attain minimum endowment funding.

11. 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 \$2,000,000. The calculation of the estimated remainder interest can be made by the University Relations Office of Gift Planning.

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### III. Approval to Establish and Name an Endowed Chair

- A. Establishment and naming of an endowed chair is subject to approval by the President upon recommendation of the Chancellor.
- B. University Relations — Fund Administration is responsible for coordinating the approval process through Office of the President and will work with schools, colleges, and departments to facilitate required approvals.
- C. Recommendations to establish and name chairs shall be reviewed by the appropriate Dean of the School or College. The area of designation must not be narrowly specified and must be appropriate for the academic mission of the University.
- D. The recommendation shall be forwarded by the Chancellor to the Office of the President for approval by the President.

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### IV. Appointment to Endowed Chairs

- A. Depending on the terms, an endowed chair may be filled by appointment of an existing tenured or tenure-track member of the faculty or may be used to recruit an outstanding scholar. Appointment to an endowed chair does not confer reduction in teaching load. Appointment and reappointment to the chair as well as payout from the chair are reserved for active, non-retired faculty.
- B. On relinquishment of the Chair, a holder would be entitled to refer to herself/himself by the Chair name, appending dates of incumbency. Upon retirement, the chair is automatically relinquished. The designation "Emeritus" shall be added to the appointee's title upon retirement from tenured status with academic approval.
- C. An endowed chair will generally be filled by one individual for an initial five-year period, which may be extended for consecutive five year terms, unless a shorter or longer term or non-renewability is otherwise specified in the terms of the gift.
- D. An endowed chair also may be filled for a specific period rotating periodically among faculty members or departments. This may include chairs designated to be appointed at the discretion of the Chancellor.
- E. The Campus Budget Office shall verify minimum funding of chairs and available payout prior to appointment. 1) Appointment of a faculty member to an endowed chair will not be approved until there is confirmation that the chair has been formally established. The Office of the Vice Chancellor-University Relations shall be advised by the Academic Personnel Office of appointments so as to inform donors. 2) Appointments may be made to chairs that are conditionally approved pending fulfillment of a pledge or irrevocable deferred gift, or completion of a campaign to fund the chair. Such appointments may be honorary (i.e., provide no income to the chair holder) or provide reduced or full payout (see Section V.G.).

- F. Appointment of faculty as chair holders will follow University and academic personnel policies and Academic Senate procedures for faculty appointments. Normally such review will include a faculty vote. Departments or programs should establish procedures on how the vote should be conducted and who is eligible to vote. For chairs which are not assigned to a particular department or which are College- or campus-wide, there should be written guidelines for the selection process.
- G. Reappointment after the initial appointment (usually 5 years) requires administrative and Budget Committee review, but does not require an additional vote from the department. The chair and/or dean should briefly describe a chair holder's accomplishments while holding the chair.
- H. In accordance with University policy on administrative endowed chairs (see Section II.B.8.), the administrative officer is automatically designated as the chair holder. In those cases where a chair has been used for an administrative position (e.g., as chair of a specific program) rather than specifically endowed and designated as an administrative chair, the process of appointing a chair holder is to be distinct from the appointment process of the administrator and must follow the established review process.
- I. Appointment to Visiting Professorships are subject to review and approval in accordance with APM 230 and any delegations of authority.

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## V. Use of Payout

- A. Chair endowment "payout" is defined primarily as the spendable portion of the total return of the endowment investment in the general endowment pool, less any applicable administrative fees. Payout may include any applicable short-term interest credited by the campus on unspent balances of chair income during term of incumbent. Under campus policy, the chair payout is distributed as follows: At least 50% will be used to support faculty compensation, and the remainder will be used to support graduate students and to provide discretionary research funds for the chair holder.
- B. Payout from an endowed chair is to be made available to a faculty member appointed to the chair in support of teaching and research at his or her discretion. Each year the holder of a chair will be informed by the departmental chair of the amount available from the endowment for the following year. The chair holder will recommend a budget for review and approval by the department chair or dean, to be forwarded to the next higher level for approval.
- C. Chair holders are encouraged to consider ways in which their expenditures of chair payout for their teaching and research activities will also provide institutional benefit to their departments, such as graduate student research and support in the area of the chair.
- D. Allowable uses of payout include but are not limited to the following. All University regulations and procedures governing personnel, purchasing and accounting shall be observed.
  - 1. Graduate Student Research assistantships
  - 2. Administrative salaries and/or expenses
  - 3. Travel expense
  - 4. Research equipment and expense of professional materials (items purchased with endowment funds are property of the University)
  - 5. Financial aid for graduate students or visiting scholars working with the chair holder or, with the consent of the chair holder, in the area of the chair.
  - 6. Expenses of special seminars and conferences
  - 7. Additional Summer Compensation
  - 8. Salary support while on approved leave, including sabbatical supplements. Research proposals involving release from teaching during the regular academic term require appropriate review and approval

9. Base salary (in accordance with the policy on non-19900 funding)
- E. Payout, budgeted by an incumbent chair holder during his or her appointment as chair holder for projects that extend beyond his or her term of appointment, shall be reserved for that faculty member for those projects, separate from payout allocated to a subsequent chair appointee.
  - F. Payout for chairs shared jointly with other schools, colleges, or departments will be administered by the school, college, or department in which the chair holder resides.
  - G. Chair appointments made to conditionally established chairs pending fulfillment of a pledge or irrevocable deferred gift, or completion of a campaign to fund the chair, should specify which of the following income arrangements will apply:
    1. No income (i.e., honorary appointment);
    2. Reduced income based on payout from partially funded endowment, until endowment is fully funded; or
    3. Full or reduced payout through supplement to available payout or provision for full or partial funding by another allowable source (e.g., dean's discretionary funds), until endowment is fully funded .
  - H. The expenditure of payout from chair endowments for the purposes specified by the donor is required by law. More than five years of payout should not accumulate. University Relations annually will review endowment-related current funds with excess accumulations. University Relations will notify the unit responsible for the expenditure of the University's fiduciary obligation to use the chair payouts fully in a manner consistent with the gift instrument.
  - I. During any period in which a chair has remained vacant for three years or in the event that the chair's accumulated income exceeds five years of payout, a unit head may request the Chancellor or Chancellor's designee to take one of the following actions, so long as it is consistent with the terms of the chair:
    1. Implement, or authorize a dean or deans, after consultation with the relevant department(s) to implement a new expenditure plan designed to fill the chair and/or to utilize the payout.
    2. Approve for a limited time the appointment of a visiting professor as temporary holder of the chair, upon recommendation of the department(s) and dean(s). Payout may be used to fund the salary of the visiting professors. Such a temporary appointee, normally designated as the Visiting Scholar in "\_\_\_\_\_", will be permitted to use available payout from the endowment to support his or her research and teaching activities during the period of the appointment.
    3. Request the reinvestment of payout to principal through a proposal that outlines the reasons for the accumulation, as well as the steps that will be taken to ensure future timely expenditure; a department must make specific request to reinvest payout to principal unless the donor has provided for such reinvestment at the time the gift is made.
    4. Reallocate, or request the reallocation of, the fund to provide for an alternative purpose specified in the terms of the fund.
  - J. Allocation or reinvestment of payout to principal may be requested as outlined above or under other circumstances that are sufficiently compelling to warrant such a recommendation, including the failure for unforeseen reasons of the principal to meet the chair endowment minimum. In such cases the unit head must make a specific request for reallocation or to reinvest payout to principal, unless the donor has provided such reinvestment at the time the gift is made. Reinvestment of payout to principal generally should not be considered in order to increase the principal to meet the chair endowment minimum (see Section II.A.3.). The request shall be made by the appropriate dean(s) through appropriate channels to the Chancellor in coordination with the Office of the Vice Chancellor-University Relations, which will assist with the approval process.
  - K. In instances when the payout of an endowed chair has not been completely expended by the end of the fiscal year, a dean may request the Chancellor, following review for compliance of the individual gift terms, from Fund Administration in University Relations, that a prudent percentage of the payout balance be used for departmental

support related to the chair. Specifically, upon Chancellor's approval, unexpended payout may be used to support activities related to the chair including:

1. scholarships and fellowships;
2. secretarial support;
3. library acquisitions;
4. travel;
5. and faculty salary support to release 19900 funds for other purposes.

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## VI. Creation of Additional Chairs with Appreciated Endowments

- A. Should an endowment corpus appreciate such that excess payout is generated beyond the reasonable need of the chair holder, at levels at least double the current campus minimum for chair endowments or double the donor gift (whichever is higher), and the department has need for an additional chair in the field, the Chancellor may consider recommendations to establish a second chair with the same terms, when allowable under the terms of the original gift, subject to approval by the President.
  1. The campus should obtain the concurrence of the donor, if available, prior to initiating a request to divide an endowment.
  2. An endowment for which the donor has intentionally funded the chair at a level higher than the campus minimum should not be considered for division, unless the corpus has appreciated to a level at least double that of the original gift and the gift terms do not prohibit such action.
  3. Whenever possible, endowment divisions should be timed to occur before a new chair holder is appointed. If an endowment is to be divided during an appointment, the chair holder should be notified as far in advance as possible of the reduction of payout for the coming fiscal year.
- B. Since chair endowments may be established initially only through gifts rather than growth of principal, creation of a second chair through division of an appreciated endowment should occur in circumstances sufficiently compelling to warrant such a recommendation and when it is in the best interest of the University.
- C. Exceptions to the minimum funding levels required for division of endowments may be approved under the following circumstances:
  1. There is a firm commitment for funding the payout shortfall from other allowable sources until the endowment reaches the campus minimum funding level of \$2,000,000;
  2. There is a compelling need for a second chair, and a chair holder may be appointed immediately;
  3. Division of the original endowment is not prohibited by the terms and does not create negative donor relations.

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## VII. Stewardship

- A. As the fiduciary of endowment funds, the University (UC Regents) and the UC Berkeley Foundation are legally responsible for ensuring that endowment payout is expended in a timely manner in accordance with the terms of the gift. As steward of endowed chair donors, the campus is responsible for maintaining regular and appropriate contact with donors, their successors, and endowment honorees on the uses of the chair fund.

- B. University Relations, in collaboration with the Office of the Executive Vice Chancellor and Provost and the chair holder's department, is available to facilitate donor reporting.
  - 1. The Executive Vice Chancellor and Provost will advise each new chair appointee of the source of their fund and of possible stewardship responsibilities applicable to that fund.
  - 2. University Relations or unit heads will notify donors, successors, or contacts of new chair appointments and reappointments.
  - 3. Each chair holder is encouraged to report annually on the use and benefit of the chair to donors, their successors, or designated contacts. Appropriate notification of such donor reports should be made to the dean of the chair holder's department.
  - 4. Each chair holder may be asked to meet with the donor(s) and possibly to participate at special donor recognition events.

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## VIII. Unit Responsibilities

- A. Colleges, Schools, Departments and programs are encouraged to establish written procedures for chair selection.
- B. Units are responsible for ensuring receipt and approval of the budget and for the appropriate expenditure of funds.
- C. Individual units may set higher minima than campus requirements for chair endowments. Units may set minimum funding levels for appointments to conditionally established chairs.
- D. Units shall notify Corporate Accounting if an appointment to a conditionally established chair will be supported by the annual transfer of payout from the existing endowment (see Section V.G.)
- E. In no case may unit guidelines or procedures be deemed to void or liberalize the provisions of University policy or these guidelines.

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## IX. Review of these Guidelines

These guidelines may be reviewed and amended periodically as necessary to comply with Regental policy or to incorporate campus changes allowable under Regental policy.