



Michael T. Brown
Telephone: (510) 987-0711
Fax: (510) 763-0309
Email: Michael.Brown@ucop.edu

Chair of the Assembly and the Academic Council
Faculty Representative to the Board of Regents
University of California
1111 Franklin Street, 12th Floor
Oakland, California 94607-5200

April 29, 2008

KATHERINE N. LAPP
EXECUTIVE VICE PRESIDENT FOR BUSINESS OPERATIONS

Re: Endowment Cost Recovery Rate and Endowment Payout

Dear Katie,

At its April 23rd meeting, the Academic Council considered the proposed Regents' items regarding the endowment cost recovery rate and the endowment payout. Per the proposal, the endowment cost recovery rate would be raised from 25 to 40 basis points, which would presumably partially defray the costs to the campuses and to the systemwide offices of administering The Regents' endowments. The payout rate proposal would set the payout rate for the General Endowment Pool (GEP) at 4.75 percent of a 60-month moving average of the market value of eligible shares invested in the GEP. We understand that setting the payout rate at 4.75 percent does not represent a change in the payout rate, as The Regents first approved a target payout rate of 4.75 percent for the payout expended in the 2006-07 fiscal year.

Acting on the recommendation of the University Committee on Planning and Budget's (UCPB), Council approves both proposals, agreeing that both recommendations appear reasonable and justifiable. That said, Council would like greater transparency regarding the current and future allocation of endowment administration funds. Towards that end, Council is specifically requesting more information about how the actual cost of administration was calculated, how operating funds were and will continue to be used to cover endowment administration, how the reduced subsidy will be tracked, or how the funds are, or will be, divided among UCOP and the campuses.

Thank you for the opportunity to comment on these proposals.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael", is written in black ink.

Michael T. Brown, Chair
Academic Council

Copy: Academic Council
María Bertero-Barceló, Executive Director