Great universities have large endowments. Comprised of more than 600 individual funds benefiting all areas of the campus, San José State's endowment is a perpetual source of support for the university's mission of scholarship, research and preparation of students for a career in service to society. Valued at more than $140 million and growing, the SJSU endowment is a testament to the donors who have demonstrated a commitment to supporting SJSU for generations to come.

What is an endowment?

An endowment is a permanent gift that is invested in perpetuity with provisions prohibiting the original principal amount from ever being invaded, thus providing sustaining support. The donor specifies how the endowment earnings can be used.

How does an endowment work at San José State?

The donor's gift (also called the endowment corpus) is invested in the endowment investment portfolio. The university's minimum amount to establish an endowment is $50,000, and endowments can be established through outright or planned gifts, such as bequests. An annual distribution from the endowment provides spendable funds from investment earnings that may be spent to carry out the donor's purpose. New gifts, long-term investment performance and a prudent spending policy influence the growth of the endowment. The goal is to ensure that the endowed fund is nurtured to support the needs of future generations.

Why are endowments important to SJSU?

Endowed gifts are critical to the success of the university because they provide support for SJSU initiatives in perpetuity. As government funding to California's public universities continues to decline, SJSU's

endowment becomes even more important to the university's success. Income from the SJSU endowment supports student scholarships, faculty research, sustainable fellowship programs and more.

Who will oversee my endowment in support of SJSU?

The Tower Foundation of San José State holds the endowment. Dedicated to philanthropy, the Tower Foundation is an auxiliary of the California State University system. The Tower Foundation Board of Directors and its Finance and Investment Committee have the legal and fiduciary responsibility for endowment oversight.

How are endowment investments managed at SJSU?

The Tower Foundation utilizes an external firm for investment advisory services. The SJSU endowment investment portfolio is invested according to the Investment Policy set by the Tower board. The investment portfolio is reviewed on a quarterly basis with the Finance and Investment Committee of the Tower board.

What types of investments are permitted?

Permissible investments include value and growth equities, fixed income, private equity, real estate and cash.

What laws regulate endowments?

The Uniform Prudent Management of Institutional Funds Act (UPMIFA), adopted in California in 2008, guides SJSU's endowments.

How is the endowment distribution determined?

The spending policy is set by the Tower board. The yearly distribution is based on a trailing three-year average market value. The distribution typically ranges from 3 to 4 percent. A distribution is typically made regardless of challenging short-term investment performance so that the university has consistent support.

Why use a three-year average?

Three-year averaging helps smooth investment highs and lows, and provides a steady, reliable stream of support to the donor's designated purpose.

How soon will new endowments provide a distribution to spend for programmatic purposes?

Due to the impact of the trailing three-year average, donors may elect to delay a distribution from their endowment in order to preserve its value. Distributions will be about one-third of the full amount in the first year of the endowment, two-thirds in the second year, and the full distribution will be available for the donor's program of choice 36 months after the endowment is funded.

What happens to any excess returns in the endowment?

Investment earnings in excess of the amount distributed remain in the endowment investment fund to contribute to growth and protect against the impact of future market fluctuations.

What happens when investment returns are negative?

In years when investment returns are negative, accumulated prior-year gains are used to provide a distribution.

What is an underwater endowment?

An underwater endowment is an endowment whose market value is less than the corpus (total gifts to the endowment). By law, the principal of an endowment can't be spent without donor permission.

Are any fees charged?

The Tower Foundation charges a 2% fee for endowments with total gifts of less than $1 million and a 1% fee for endowments with total gifts of over 1 million.

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