

FCR 6

Office of the President
August 13, 2002

Members, Board of Trustees:

ESTABLISHMENT OF GIFT ANNUITY PROGRAM

Recommendation: that the Board of Trustees approve the attached resolution to establish a Gift Annuity Program at the University of Kentucky.

Background: A charitable Gift Annuity Program will enhance the Office of Development's fund-raising efforts. A gift annuity is a contract under which a charity, in return for a transfer of cash or other property, agrees to pay a fixed sum of money for a period measured by one or two lives. The contributed property becomes part of the charity's assets, and the payments to annuitants are a general obligation of the charity. Gift annuities are attractive to donors because (1) a significant portion of a contribution will qualify as a charitable deduction, and (2) the fixed payments are guaranteed for life at the rate(s) in effect when the gift annuity is executed.

The University will follow the rates suggested by the American Council on Gift Annuities (ACGA) in executing gift annuity contracts. The rates established by ACGA generally assume that the residuum (balance remaining at the termination of the annuity) will be 50% of the original contribution.

All gift annuity contributions will be maintained in a separate Gift Annuity Reserve Fund established for purposes of investing and managing assets of the Program. The costs of the Gift Annuity Program, including required payments to annuitants, will be paid from the Reserve Fund. Even though the Program is expected to be entirely self-supporting, the University is required to identify a separate source of funds as additional security for the payments to annuitants. The attached Resolution provides that the unrestricted quasi-endowment funds will be pledged to guarantee the annuity payments.

Action Taken: Approved Disapproved Other _____

RESOLUTION TO ESTABLISH A GIFT ANNUITY PROGRAM
AT THE UNIVERSITY OF KENTUCKY

WHEREAS securing planned charitable gifts in general and charitable gift annuity contributions in particular is recognized to be of considerable importance to the future financial stability and overall operation of the University of Kentucky (hereinafter “University”),

NOW, THEREFORE, BE IT RESOLVED THAT:

1. The Board of Trustees hereby authorizes the University to establish a program for the issuance of immediate and deferred payment charitable gift annuities.
2. The University’s gift annuity program shall be conducted in compliance with all applicable requirements of federal and state law, including Kentucky and other states.
3. The annuity rates offered to donors by the University in connection with gift annuity contributions shall be those recommended by the American Council on Gift Annuities. A higher rate may be offered with prior approval of the Treasurer, if determined to be in the best interest of the University. A lower rate may be offered without prior approval.
4. The University shall establish and maintain a gift annuity reserve fund. The Treasurer of the University shall oversee the management of the fund, including the investment of fund assets. The full amount of all gift annuity contributions shall be credited to the fund, along with all earnings on assets attributable to the fund. Disbursements from the fund may be made for the following purposes: to make annuity payments; to pay for the costs associated with investing and managing fund assets and administering the gift annuity program; and to make available to the University for its educational charitable purposes (as designated by the gift annuity donor, if applicable) the amount of fund assets attributable to a particular annuity obligation upon satisfaction of that obligation. Disbursements for any other purposes must be approved by the Treasurer.
5. The annuity payments will be made directly from the gift annuity reserve fund, and are further guaranteed by the University’s unrestricted quasi endowment funds if the reserve fund is insufficient to cover the annuity payments. Use of the unrestricted quasi endowment funds would require prior approval by the Board of Trustees.
6. The University may employ agents and advisors to assist with the management and operation of the program.
7. The fair market value of property contributed in exchange for a gift annuity shall be at least Ten Thousand Dollars [\$10,000.00], regardless of when the first annuity payment will be made and regardless of whether payments will be made to one annuitant or to two annuitants. The minimum gift annuity required to create an endowment with the residuum shall be Two Hundred Thousand Dollars [\$200,000.00]. The minimum gift annuity required to create a restricted fund with the residuum shall be Fifty Thousand Dollars [\$50,000.00].

8. The University shall accept gift annuity contributions made with property other than cash and publicly traded securities with prior approval of the Treasurer, if determined to be in the best interest of the University.

9. The minimum age for annuitants at the time annuity payments commence shall be 60 for both immediate and deferred annuities. Exceptions may be made with prior approval of the Treasurer, if determined to be in the best interest of the University.

10. Annuity payments shall be made quarterly at the end of each calendar quarter. Exceptions may be made with prior approval of the Treasurer, if determined to be in the best interest of the University.

11. The terms of this Resolution may be amended by the University's Board of Trustees.

Adopted by the University of Kentucky on the ____ day of ____, 2002.

Attested by:

Board Secretary

Affix corporate seal: