E015  ANNUITY AND LIFE INCOME FUNDS

PURPOSE
To describe the manner in which these accounts are managed and their transactions recorded.

DEFINITIONS
The Annuity and Life Income Funds group includes those funds acquired by the University subject to annuity contracts, living trust agreements, or gifts and bequests reserving life or term income to one or more beneficiaries.

Gift Annuity A contract covering receipt of cash, securities or other property in return for guaranteed fixed payments to be made to the donor or named annuitant annually for life. The payments are based upon the age of the donor at the date of the contract. They are only partially taxable to the donor. Donors may, and usually do, specify disposition of residual funds by the University upon the death of the last beneficiary. A gift annuity may cover no more than two beneficiaries.

Charitable Remainder Annuity Trust A contract wherein a donor irrevocably transfers cash, securities or other property to a trustee in return for a fixed dollar amount based upon five percent or more of the fair market value of the assets at inception, to be paid to the donor for life or for some other specified term. The trust can also provide income for the donor's survivor. The income usually is taxable to the recipient. The trust may be funded only once.

Charitable Remainder Unitrust A contract very similar to the charitable remainder annuity trust. The major difference is that the payments to the donor are not necessarily the same each year. Instead, they are based upon a certain percentage (not less than five percent) of the market value of the fund's assets at January 1 each year. Another difference is that the donor can stipulate that only ordinary income earned by the trust is to be paid out in years in which the trust earns less than the percentage it would otherwise pay out. It can also be provided that any amount not paid because of small earnings in any particular year is to be made up in later years when the earnings are in excess of the percentage to be paid out. A final difference is that additional property or cash can be added to a Unitrust after it has been created.

Life Income Funds Similar to gift annuities except that the University is required to pay to the donor or other designated individuals only the ordinary income earned by the assets of the funds after deduction of appropriate management expenses. Donors may name themselves and two other beneficiaries 50 years of age or
older. They may specify disposition of residual funds by the University upon the death of the last named beneficiary. Life income funds may be taxable or tax-exempt depending upon the donor’s preference. Note: No life income contracts may be executed subsequent to the effective date of the Internal Revenue Tax Reform Act of 1969.

**POLICY**

To segregate on the University’s accounts, those funds acquired by the University from donors subject to an agreement to make stipulated payments to them periodically for life or for a specified term. To segregate investment of gift annuity investments.

**PROCEDURE**

A. Gift Annuity Funds Placed in the Growth Pool for investment unless specifically restricted from so doing by donors.

B. Charitable Remainder Annuity Trusts Transferred to BNY Mellon for administration and investment.

C. Charitable Remainder Unitrusts Same as charitable remainder annuity trusts.

D. Taxable Life Income Funds Investments are pooled in a high-yield pool and are University-managed.

**GENERAL COMMENTS**

BNY Mellon is the administrator for both the University's gift annuity and charitable trust programs. However, BNY Mellon is only responsible for investment management of the charitable remainder trusts; gift annuity funds are invested in the University's Growth Pool. As administrator, BNY Mellon makes all beneficiary payments and prepares all required annual tax filings as follows:

Gift Annuity Funds Forms 1099-R mailed directly to donors and IRS.

Charitable Remainder Trusts Forms K-1 mailed directly to donors. Forms 5227 sent to University for filing with the IRS.

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