

**THE UNITED METHODIST
STEWARDSHIP FOUNDATION**
**CHARITABLE GIFT ANNUITY
POLICIES AND PROCEDURES**

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THE UNITED METHODIST STEWARDSHIP FOUNDATION
SERVING THE SUSQUEHANNA CONFERENCE

CHARITABLE GIFT ANNUITY POLICIES AND PROCEDURES

1. A Gift Annuity. . .

- a. is a legally binding contract between one or more donors and The United Methodist Stewardship Foundation (hereinafter “The Stewardship Foundation”).
- b. obligates The Stewardship Foundation, in exchange for a contribution of cash or other assets, to pay a fixed amount each year to one person for life or two people (either consecutively or on a joint-and-survivor basis) for as long as either of them is living.
- c. features payments that either start immediately or are deferred for a number of years, as decided by the donor(s).
- d. is paid from a separately invested Gift Annuity Fund held by The Stewardship Foundation that is attributable to gift annuity contributions, although the payment obligation is ultimately backed by all of The Stewardship Foundation’s assets (subject to security interests).
- e. creates payments that are taxed favorably for the life expectancy of the annuitant(s).

2. Annuity rates are. . .

- a. based on actuarial age (i.e., age to nearest birthday) as of the gift date.
- b. determined actuarially by the American Council on Gift Annuities and adopted by The Stewardship Foundation’s Board of Directors using three (3) assumptions: (effective 07-01-10).
 1. a 50% residuum (amount of contribution remaining upon termination of the payment obligation).
 2. life expectancies based on the Annuity 2000 Mortality Tables, using female life expectancies and setting ages back two years.
 3. total return on the Gift Annuity Fund of 4.5%, net of expenses of 1.0%.

3. Investing the Annuity Contribution

- a. The entire contribution, less any portion used by the Stewardship Foundation to augment its Gift Annuity Reserve, is invested in the Gift Annuity Fund, a balanced fund featuring a maximum of 60.0% equities.
- b. Upon funding of the gift annuity by the donor(s), The Stewardship Foundation may use a portion of the contribution to augment its Gift Annuity Reserve. The particular portion used shall be determined from time to time by The Stewardship Foundation's Board of Directors. Such use will not reduce the amount paid to the annuitant(s). Currently, the portion used is 5.0%.
- c. The Stewardship Foundation shall be entitled to receive a monthly administrative service fee based on the market value of the Gift Annuity Fund as of the last day of each month. The Stewardship Foundation's Board of Directors shall from time to time establish the amount of the fee. Currently, the fee is 85 basis points per year.
- d. The Gift Annuity Reserve referred to elsewhere in this document is a separate account established by The Stewardship Foundation to provide security for the making of payments in connection with any gift annuity if none of what was contributed for the annuity remains in the Gift Annuity Fund. Upon termination of a gift annuity payment obligation, The Stewardship Foundation may use a portion of the residuum of the contribution for the annuity to augment the Gift Annuity Reserve. The particular portion used shall be determined from time to time by The Stewardship Foundation's Board of Directors. Currently, the portion used is 5.0%. *Note:* As determined by The Stewardship Foundation's Board of Directors, assets in the Gift Annuity Reserve may be used to fund The Stewardship Foundation Endowment Fund. In addition, The Stewardship Foundation shall be entitled to receive a monthly administrative service fee based on the market value of the Gift Annuity Reserve as of the last day of each month. The Stewardship Foundation's Board of Directors shall from time to time establish the amount of the fee. Currently, the fee is 85 basis points per year.

4. Making Annuity Payments

- a. Payments may be made monthly, quarterly, semi-annually, or annually. In the event payments are made more often than annually, every payment is the same, even if it is necessary to round upwards the annual amount by a few cents to accomplish this.
- b. Each monthly, quarterly, or semi-annual annuity payment must be a minimum of \$100.00. If an annuity amount is less than \$200.00, it

must be paid annually. While The Stewardship Foundation will make payments by check mailed to each annuitant, it may also make payments by direct deposit for an annuitant who so desires, or it will send payments by check directly to an annuitant's bank for deposit in his/her account.

- c. If an annuitant dies on a payment date, the payment belongs to the annuitant.
- d. If an annuitant dies before the date of a payment made by The Stewardship Foundation because it had not been aware of the annuitant's death, the payment belongs to The Stewardship Foundation, which will collect it from the estate by sending the administrator of the estate via certified mail a copy of the gift annuity agreement along with a request for return of payment.

The Stewardship Foundation will make every effort to locate an annuitant who moves and does not advise The Stewardship Foundation of his/her new address or who closes the bank account to which payments had been directed without letting The Stewardship know to what new account payments should henceforth be directed. If checks or letters are returned, marked "forwarding privileges expired," "forward address unknown", etc., The Stewardship Foundation will send a letter to the Postmaster of the location associated with the last known address. The letter, which will be accompanied by a check for \$1.00 payable to the Postmaster, will request a new address under the Federal "Freedom of Information Act." If the new address is known, the Postmaster must supply it. If it is still unknown, The Stewardship Foundation will write a letter to the annuitant advising him/her that The Stewardship Foundation will need to have a new address in order to fulfill its annuity payment obligation. The letter will be placed in an outgoing envelope bearing only the annuitant's name in the address location. The envelope will be sent unsealed to the Social Security Administration in Washington, D. C. with a letter providing the social security number of the annuitant and requesting that if the annuitant is alive, the Social Security Administration forward the unaddressed, unsealed envelope to the annuitant. The Social Security Administration does not charge for this service.

5. Reporting Annuity Payments and Tax Information

- a. At the time a gift annuity is established, The Stewardship Foundation will provide each donor with the amount of his/her charitable deduction, as well as information about how annuity payments are to be taxed each year.
- b. By January 31 of each year, The Stewardship Foundation will use IRS Form 1099-R to report to each annuitant the payments made to him or her in the prior calendar year, regardless of the amount paid. Using

the spaces provided on the 1099-R form, The Stewardship Foundation will let each annuitant know for the year in question how the amount paid is to be reported for such year. Using copies of the 1099-R forms and IRS Form 1096, The Stewardship Foundation will report the same information to the IRS by February 28th of each year. Payment data for more than 250 persons must be reported electronically, not with paper forms, to the IRS.

6. Drafting Agreements

- a. The gift annuity agreement sets forth the amount and the nature of the contribution (check, money order, securities, etc.); the name(s) and, address(es) of the donor(s); the name(s), address(es), date(s) of birth, and social security number(s) of the annuitant(s); the amount of the annuity payments and how they are to be made (annually, semi-annually, quarterly, or monthly); and the charitable beneficiary or beneficiaries of any portion of the contribution remaining in the Gift Annuity Fund upon the death of the last surviving annuitant.
- b. The gift annuity agreement, which is prepared in duplicate original, is completed and signed when the contribution has been received. In the case of securities, they must be in the possession of The Stewardship Foundation or of its bank custodian before the gift annuity agreement is dated and signed. One duplicate original of the fully executed gift annuity agreement is given to the donor(s), and the other is retained by The Stewardship Foundation.

7. Gift Annuity Records

The Stewardship Foundation will maintain detailed records regarding not only each gift annuity, but also the Gift Annuity Fund. The portion of the Gift Annuity Fund attributable to each annuity will remain separately identifiable and will be tracked monthly for income, payments (if any that month), carrying value, and market value.

8. Payment of Residuum

Upon the death of the last surviving annuitant of a gift annuity, The Stewardship Foundation will request a death certificate from the administrator of the estate. Upon receipt of the death certificate, The Stewardship Foundation will distribute from the Gift Annuity Fund the residuum of the contribution for the gift annuity, net of any portion of the residuum used by The Stewardship Foundation to augment the Gift Annuity Reserve, as set forth in the agreement. The amount of the residuum will be its market value on the last day of the month in which the death occurred.

9. Criteria Regarding the Acceptability of Contributions Made to Fund a Gift Annuity

- a. The minimum amount to fund a gift annuity with The Stewardship Foundation is \$10,000.00, although an amount as low as \$5,000.00 may be accepted at the discretion of the Executive Director of The Stewardship Foundation.
- b. The maximum amount The Stewardship Foundation will be allowed to accept for a single gift annuity or for a series of gift annuities for one annuitant or pair of annuitants over time is the greater of \$500,000.00 or 10.0% of the outstanding assets in the Gift Annuity Fund at the time the annuity is established. Any exception to this policy must be approved by The Stewardship Foundation's Board of Directors.
- c. For all annuitants, the minimum age at the time annuity payments begin is 60. For annuitants of deferred annuities, the minimum age at the time the annuity is established is 50.
- d. Contributions for gift annuities may consist of either cash or readily marketable securities.

10. Other Matters

Charitable Gift Annuities will be offered by The United Methodist Stewardship Foundation of Central Pennsylvania on an annual basis, July 1 through and including June 30.

The Investment Management Committee of The Stewardship Foundation's Board of Directors will monitor "Calculation of Unrestricted and Unencumbered Assets" quarterly.



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