

USC Educational Foundation

Gift Annuity Policies, effective July 1, 2016

Minimum Beneficiary Age:

For a single-life or two-life gift annuity, the minimum age of the beneficiary must be 65. No charitable gift annuity agreement shall be issued for more than two lives. Gift annuity agreements shall be issued only if the charitable gift, computed using government tables, exceeds 10% of the amount transferred. No exceptions to these two requirements shall be made.

For deferred gift annuities, the minimum age of the beneficiary must be 60. Exceptions will be on a case-by-case basis and must be pre-approved by USC Educational Foundation. The period of deferral between the transfer and the date annuity payments start shall be no more than 10 years, and the gift annuity agreement must specify the date beneficiary distributions will begin.

Minimum Gift Amount:

The minimum amount of an immediate or deferred payment charitable gift annuity will be \$50,000.00. Any exceptions must be pre-approved by USC Educational Foundation.

Distribution at Termination of Gift Annuity:

If the residuum of a gift annuity is restricted for a new endowment fund and does not meet the minimum endowment requirement, USC Educational Foundation will add all remaining funds to an existing endowment of similar nature (same college and general purpose), keeping in mind the original intent of the donor, unless the donor has previously specified an alternative existing endowed fund in his or her charitable gift annuity agreement.

If a donor has multiple gift annuities, after October 19, 2016, the distribution to specified endowments will consist of the sum of all residual balances.

ACGA Rates:

Development Officers will present a minimum of three (3) American Council on Gift Annuities approved rates to the prospective donor, providing the donor with the option to choose a lower payout rate and receive a greater charitable deduction. The intent is to appeal to the donor's philanthropic nature while minimizing risk for the USC Educational Foundation and USC.

(1) The highest allowable rate offered by the USC Educational Foundation will be the ACGA's highest rate, except if one or both of the beneficiaries are aged 81 or older. At that point, the rate will be a maximum of 7.0%, with the possibility of a guaranteed payout rate lower than 7.0%.

(2) At least 1% below the ACGA's highest allowable rate, and

(3) At least 1.5% percent below the ACGA's highest allowable rate

Maximum Beneficiary Distribution Rate:

For a single-life or two-life gift annuity, if the beneficiary is 81 years old or older, the payout rate will be a maximum of 7.0% percent. This rate will be reviewed by the USC Educational Foundation annually but does not affect charitable gift annuities issued prior to July 1, 2016.

Deferred gift annuities shall be reviewed and accepted on a case-by-case basis. Exceptions must be pre-approved by USC Educational Foundation.

Gift Annuity Reserve Requirement:

The USC Educational Foundation will take a five percent (5.0%) gift annuity reserve fee at the time the gift annuity is funded. This five percent (5.0%) fee will be based upon the original market value of the gift annuity, and will not change the beneficiary distributions calculated using Crescendo or other planned giving software used by the USC Office of Planned Giving. This fee will be placed in a separate loss reserve account, and will be used to fund beneficiary distributions for gift annuities that-are under water, prior to the USC Educational Foundation using its operational funds for beneficiary distributions. Additionally, the goal is for this reserve to allow the USC Educational Foundation to further its investment and risk management in the gift annuity pool.

Reinsurance:

USC Educational Foundation reserves the right to reinsure a particular gift annuity or multiple gift annuities by the same donor in order to reduce risk, or to comply with state regulatory requirements. Any remainder left after the insurance premium has been paid will remain in the gift annuity until it terminates.

Gift Acceptance Requirements:

Gifts other than cash or publicly traded securities (including, but not limited to, real estate and not-readily-marketable securities) will be reviewed on a case-by-case basis, and will require pre-approval by USC Educational Foundation.

Naming Opportunity Requirements:

Funding any gift annuity for the purpose of a naming opportunity other than that of a minimum endowment, as described in the USC Development Office's "Policy on the Establishment of Naming Opportunities," amended on January 26, 2015, must be reviewed on a case-by-case basis and pre-approved by USC Educational Foundation and the USC Gift Naming Committee.