



State Gift Annuity Registration: What Does it Mean to Your Organization?

Event: Saint Louis Planned Giving Council
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Agenda

- Deciding to register
- Getting registered
- Staying compliant





Subject to Regulation

- An organization should register in the state(s) in which it is doing business
- What is "doing business"?
- Minimum level of issuance okay without registration?
- Effect of reinsurance





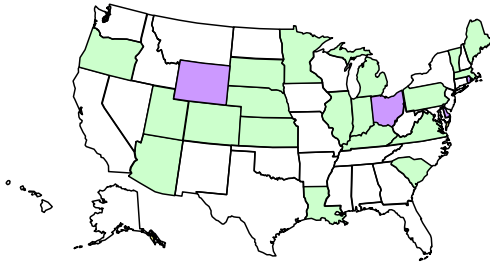
Issues Regarding Non-Registration

- Opinion from legal counsel
- State enforcement
- Public image
- Consistent position



Good News

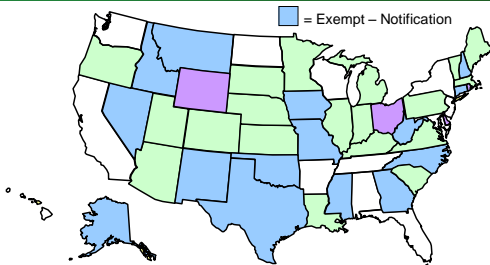
■ = Silent ■ = Exempt – No Notification





More Good News

■ = Silent ■ = Exempt – No Notification



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Bad News

■ = Reserves, Annual Reporting, or Detailed Application

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Deciding in What States to Issue

- Can the organization meet all requirements?
- Does the organization *want to* meet initial and ongoing requirements?
 - cost-benefit analysis
- Timing
 - notification = concurrent with first annuity in the state
 - application = submit and obtain approval before issuing
 - cannot issue while application is pending

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Can the Organization Meet:

- Years in operation
 - ranges from 3 – 20 years
- In-state activity in Hawaii and Maryland
- Unrestricted assets
 - ranges from \$100,000 to \$2 million
 - held in-state for Hawaii
 - even if unspecified amount, states looking at financial condition

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Does the Organization *Want* to Meet:

- Segregated reserve fund
 - > Minimum fund balance
 - > State-specific fund(s)
- Investment restrictions
 - > Specific requirements (CA and FL)
 - > Prudent investor
- Annual reporting



Other Requirements of Note

- Information from individuals
- Registration with other state agencies
- Appointment of in-state agent
- Board resolutions
- Annuity agreements





Determining Reserve Amount

- Calculated using varying state methodologies
- Surplus required by some states
- Segregated fund must hold sufficient assets to meet highest reserve + surplus requirement of all states in which charity is registered



Requirements – Reserve Fund

Comparing state reserve requirements

	Calculated reserve	Surplus	Total Reserve
Arkansas (IRS method)	\$180,693	\$18,069	\$198,762
New Jersey	\$208,748	\$100,000	\$308,748
Washington	\$212,894	\$21,289	\$234,183

Total gift annuity contributions just over \$500,000, over 10 years



Requirements – Reserve Fund

New York reserve options

	Calculated reserve	Surplus in lieu of actuarial opinion (15%)	Subtotal	Surplus (25% or 10%)	Total Reserve
Exemption	\$208,748	\$31,312	\$240,060	\$60,015	\$300,075
Permit	\$208,748	\$31,312	\$240,060	\$24,006	\$264,066

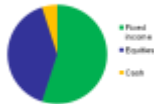
Total gift annuity contributions just over \$500,000, over 10 years



Requirements – Investment of Reserve Assets

California:

- No more than 50% in equities
 - Corporate bonds included in equities
 - All mutual funds included in equities
- No real estate



Florida:

- No more than 50% in equities
 - No more than 10% in any one stock or fund
- Real estate limited to 5%



Staying Compliant

Annual reports

- What:
 - renotification, audited financials
 - detailed reporting
- When:
 - FYE vs. CYE; tickler system
- Who:
 - PGO or business/finance





Staying Compliant

Monitoring reserve fund

- Fund balance
- Investment allocation
- Not just at FYE or CYE





Staying Compliant

- Minimum assets
 - at time of issuance
 - annual reporting/suspension
- Years of operation
 - activity in Maryland and Hawaii
 - separate Foundation



Staying Compliant

- Rates
 - notify when change
 - addendum if offer lower
 - NY/NJ deferred
- Agreement forms
 - new forms need approval
 - disclosure language



Staying Compliant

- In-state agent
- Marketing
 - disclaimer and disclosure (CA, OK, SD)
 - no testimonials in Alabama
- Moving donors
 - change of state does not require registration unless new gift
 - applicable reserve reporting



Staying Compliant

- Staff Transition
 - maintain files
 - color coded map
 - tickler system





Conclusion

What Does the Future Hold?





Have a Question?

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