

Segregated Gift Annuity Fund Investment Policy

Document Information	
Type	Policy
Group	Treasury Services
Number	TRS-2020-02-01
Description	Segregated Gift Annuity Fund Investment Policy
Date Issued	February 4, 2021
Last Updated	February 4, 2021
Approved By	Board of Trustees

Purpose

This policy memorializes the investment philosophy and objectives for the Fordham University Segregated Gift Annuity Fund (the Fund) and describes the standards that are utilized by the Fund and its trustees in monitoring investment performance. It is unrelated to the University’s endowment investment policy, except where referenced.

Fordham University (the University) maintains ultimate discretion with respect to the selection and management of the Fund’s assets.

Background

Fordham’s gift annuity program began in 1982 and was granted a special permit by the New York State Department of Financial Services, formerly known as the New York State Insurance Department in 1994.

The activities of the Fund and, more broadly, Fordham’s life income program, are regulated by the New York State Department of Financial Services and New York State Insurance Law, which requires an investment policy to help safeguard present and future distributions to annuitants.

The Fordham University Planned Giving Program

Gifts covered by this policy, once received by the University, are invested in a trust within the Fund. Trusts may be structured in several ways and, therefore, each trust is subject to its own investment allocation that best accommodates that structure while adhering to the Fund’s primary investment objective. Some of the more common structures and associated investment allocations are as follows:

The Office of Finance retains the right to review this document periodically and make changes as deemed necessary.

441 East Fordham Road, Faculty Memorial Hall, Bronx, New York 10458

T (718) 817-4950 U www.fordham.edu/financeoffice

- Standard trusts: Beneficiary payments are based on the trust payout rate applied to an annual market value. Payments can be made from income or principal and a total return investment approach may be applied.
- Net Income trusts: Beneficiary payments are based on the income (dividends and interest) earned by the portfolio up to but not exceeding the established trust payout rates. Trusts established with a “make-up provision” can use excess income each year to meet prior year short falls. If specified in the trust document, realized capital gains may be considered distributable income. Due to the need to generate income and offset the effect of inflation on trust principal, an income-oriented investment approach with an equity allocation should be applied.
- Annuity trusts: Beneficiary payments are fixed based on the original gift value. Payments can be made from income or principal and a total return investment approach may be applied.
- Gift Annuity trusts: Beneficiaries receive fixed payments based on original gift value, and payments can be made from principal or income. A total return investment approach may be applied.

By the terms of the various planned giving agreements, upon the passing of the last beneficiary, any remaining assets in a trust revert to Fordham University.

Prudent Investor

A trustee shall exercise reasonable care, skill, and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio, considering the purposes and terms and provisions of this policy.

Standard Asset Allocation

In seeking to achieve a stated investment objective, the trust may invest indirectly in equity, fixed income and cash investments by allocating assets among various bank collective trust funds, including a combination of both non-lending and securities lending common trust funds maintained by the trustee, as well as shares of registered investment companies, including mutual funds and exchange-traded funds, for which an affiliate of the trustee acts as investment adviser. For each asset class within an asset allocation in these investment guidelines, funds managed by the trustee or an affiliate of the trustee will be used unless no fund that meets the selection criteria exists in that asset class.

Charitable gift annuities may invest in bank collective trust funds. Other types of gift vehicles described herein typically do not invest in bank collective trust funds.

Investments in bank common trust funds are governed by the applicable Declaration of Trust, Fund Declaration and strategy disclosure documents (the “Governing Documents”). The Governing

The Office of Finance retains the right to review this document periodically and make changes as deemed necessary.

441 East Fordham Road, Faculty Memorial Hall, Bronx, New York 10458

T (718) 817-4950 U www.fordham.edu/financeoffice

Documents outline the management and operation of the fund, and describe the investment objectives, guidelines, policies and restrictions that apply to the fund. Mutual funds are governed by the applicable fund prospectus. No foreign investments or securities are held directly by the trust because they invest only in pooled funds/vehicles.

Additional information about investment policies, principal investment strategy and associated risks may be set forth in the applicable Strategy Disclosure Document or prospectus, as applicable, as each may be amended, modified, or supplemented from time to time.

Due to the uncertainty in all investments, there can be no assurance that the trust will achieve the investment objectives set forth herein.

The primary investment objective for the portfolios, in which each trust is invested, is to provide for long-term growth of principal and income without undue exposure to risk. The portfolios shall be invested in equities, fixed income, and cash equivalents based upon an acceptable asset mix which is conducive to participation in rising markets, while permitting adequate protection in falling markets. In addition, the investment mix will take into consideration factors such as the type of trust, the payout requirements, beneficiary income requirements, and overall investment policy of the University.

The overall asset allocation should reflect the trust structure as explained in the following sections. However, each portfolio will be reviewed and allocated based upon its individual characteristics.

Charitable Remainder Trusts

Investment Strategy

The total return strategy may be employed for charitable remainder trusts, with an emphasis on common stocks to maximize the potential long-term return. The long-term corpus growth will benefit both the income beneficiary and the University through higher annual distributions and principal value. Based on various factors including actuarial assumptions, return expectations, and payout rates, the trustees will determine an optimal asset allocation model portfolio for each trust portfolio. Three such model portfolios are indicated below.

Growth Portfolio

Growth Portfolio Model		
Asset Class	Target	Range
US Large Cap	40%	25-55%
US Small Cap	5%	0-15%
US Mid Cap	5%	0-15%
International Developed Equity	10%	0-25%
International Emerging Equity	5%	0-15%
Investment Grade Fixed Income	34%	19-49%
Non-Investment Grade Fixed Income	0%	0-15%
International Emerging Fixed Income	0%	0-10%
Treasury Inflation Protected Securities	0%	0-15%
REITs	0%	0-15%
Commodities	0%	0-15%
Cash	1%	0-5%

Balanced Portfolio

Balanced Portfolio Model		
Asset Class	Target	Range
US Large Cap	35%	20-50%
US Small Cap	5%	0-15%
US Mid Cap	5%	0-15%
International Developed Equity	10%	0-25%
International Emerging Equity	5%	0-15%
Investment Grade Fixed Income	39%	24-54%
Non-Investment Grade Fixed Income	0%	0-15%
International Emerging Fixed Income	0%	0-10%
Treasury Inflation Protected Securities	0%	0-15%
REITs	0%	0-15%
Commodities	0%	0-15%
Cash	1%	0-5%

The Office of Finance retains the right to review this document periodically and make changes as deemed necessary.

441 East Fordham Road, Faculty Memorial Hall, Bronx, New York 10458

T (718) 817-4950 U www.fordham.edu/financeoffice

Income Portfolio

Income Portfolio Model		
Asset Class	Target	Range
US Large Cap	30%	15-45%
US Small Cap	5%	0-15%
US Mid Cap	5%	0-15%
International Developed Equity	10%	0-25%
International Emerging Equity	0%	0-15%
Investment Grade Fixed Income	49%	34-64%
Non-Investment Grade Fixed Income	0%	0-15%
International Emerging Fixed Income	0%	0-10%
Treasury Inflation Protected Securities	0%	0-15%
REITs	0%	0-15%
Commodities	0%	0-15%
Cash	1%	0-5%

Net Income Trusts

Investment Strategy

The investment strategy for net income unitrusts with and without makeup provisions is to establish a portfolio target yield that balances the needs of the income beneficiary and Fordham University. There should be a minimum equity weighting between 20% to 30% to provide sufficient principal growth to offset inflation. Income distributions that meet the income beneficiary’s reasonable expectations while achieving long-term corpus growth will benefit both the income beneficiary and the University. Because income unitrusts only make distributions from interest and dividends, each net income unitrust will generally have a unique asset allocation to meet the specific needs of the trust.

Exception Situations

It is understood that there will be exceptions to this policy from time to time based on special requests from donors, such as the desire to hold tax-free securities or individual securities. These exceptions will be decided on a case-by-case basis and agreed upon by the Trustee and Investment Manager.

Annuity Trusts

Investment Strategy

The total return strategy (asset allocation below) may be employed for gift annuity trusts to potentially provide a greater remainder value at the termination of the contract.

Total Return Model		
Asset Class	Target	Range
US Large Cap	40%	25-55%
US Small Cap	7.5%	0-15%
US Mid Cap	0%	0-15%
International Developed Equity	7%	0-15%
International Emerging Equity	3%	0-15%
Investment Grade Fixed Income	38%	23-53%
Non-Investment Grade Fixed Income	0%	0-15%
International Emerging Fixed Income	0%	0-10%
Treasury Inflation Protected Securities	0%	0-15%
REITs	2.5%	0-15%
Commodities	0%	0-15%
Cash	2%	0-10%

Monitoring Asset Allocation and Rebalancing

Trust portfolios should be reviewed at least quarterly to confirm the current asset allocation is within policy limits. The standard tolerance policy for rebalancing the accounts is to reallocate the portfolio assets back to their strategic allocation when they are out of policy by more than 3%. Prior to making any changes, the portfolios should be reviewed for possible short-term gains or losses which may affect rebalancing decisions. Accounts with unusual assets or non-standard asset allocations may have a wider rebalancing tolerance than the normal 3% that is typically applied to accounts following normal asset allocations as described above.

The portfolios should be reviewed at least annually with Fordham University and the investment manager to update any changes in the investment objectives of the individual trusts.

Cash Balances

The standard cash balance policy for trust portfolios is to maintain a balance of approximately 2% for quarterly payments and fees. There should be higher cash balances for portfolios that have higher quarterly distributions or donor sensitivity.

Performance Measurement Guidelines

The trust will have various asset allocations to potentially meet their respective investment objectives. Therefore, the primary measurement of performance will be benchmark relative to returns. Each allocation will be measured against a blended benchmark. The blended benchmark will be based on the trust’s underlying holdings’ benchmarks, which are weighted based on the target asset allocation of that trust.

Benchmark by Asset Class	
Asset Class	Benchmark
Domestic Large Cap Equity	S&P 500 Index
Domestic Mid Cap Equity	S&P 400 Index
Domestic Small Cap Equity	Russell 2000 index
Developed Markets International Equity	MSCI EAFE Index
Emerging Markets International Equity	MSCI Emerging Markets Free Index
Intl Investment Grade Fixed Income	Barclays Aggregate Bond Index or BC Agg Intermediate Gov/Credit
Dom Non-Investment Grade Fixed Income	Barclays US High Yield 2% Issuer Cap Index
International Emerging Fixed Income	JP Morgan EM Debt Local Currency Index
REITs	Dow Jones Select US Index and/or Dow Jones Global ex-US Select Index
Commodities	Dow Jones UBS Commodity Index

Each investment strategy will be measured against the benchmark listed above, and each trust portfolio will be measured against a blended benchmark, weighted based on the target asset allocation of each portfolio.

If the investment manager proposes an investment strategy that would be measured against a benchmark different from those listed above, it must be approved by Fordham University.