Endowment Builder Fund Policy

February 2007

A. **Background**

In 2002, St. Norbert College (hereafter “the College”) created the Endowment Builder Fund (hereafter “the EBF”) to permit donors to surrender existing life insurance policies for the College’s benefit without jeopardizing the donors’ original charitable intent to eventually create an endowed fund.

Use of the EBF may be advantageous to donors in two situations. The first situation exists when donors of life insurance gifts have policies that are in danger of failing—a situation caused when either the cash value of life insurance gifts is reduced due to falling interest and/or dividend rates, or when the donor is no longer interested in or able to underwrite the policy’s annual premium payments. The second situation exists when strong cash values within some policies—often achieved through a donor’s decision to apply additional premiums beyond the cost of insurance—reach a level where EBF growth would achieve the desired death benefit prior to the donor’s actuarial death projection. In both cases, surrender of the policy may be a desired course of action.

Another advantage of the EBF is the saving of fees that the issuing company collects on a monthly basis. The principal disadvantage of the EBF is the lack of a guaranteed death benefit should a premature death occur.

Since its inception, the EBF has operated to maximize the corpus of donor-created accounts by postponing the disbursement of spendable endowment income in favor of investing all income for additional growth. Current EBF rules allow the College to postpone the disbursement of spendable income for a period of up to thirty-five years, or to meet the original total dollar target of the donor, whichever comes first.

In addition to accepting the surrender value from insurance policies, the EBF accounts have also received direct cash contributions from donors, including gifts to augment existing EBF accounts, as well as gifts to initiate new EBF accounts that have not included any surrender of insurance. At the time of this Policy’s adoption, the EBF contained a total principal amount of approximately $450,000, and an additional $3.4 million had been pledged toward EBF accounts. The average expected time until these existing EBF accounts reach maturity is 27.4 years.

B. **Policy**

1. ***General***

It is St. Norbert College’s strong preference that endowment gifts be put to use as soon as possible in order to generate spendable income for the purposes intended by its donors and to fulfill the fundraising priorities established by the College. The staff of the Office of College Advancement is therefore directed to encourage donors to make gifts that will have a near-term impact on the College and its budget.

2. ***Use of the Endowment Builder Fund***
   With the adoption of this policy, the only authorized use of the Endowment Builder Fund at the College will be to provide an alternative gifting strategy for donors who wish to surrender the cash value of an insurance policy or who will only contribute to the College through a gift of life insurance. The College will also invite and welcome decisions by current EBF donors to amend the terms of their existing agreements to allow earlier distributions of spendable income from their EBF accounts.

3. ***Surrender of Existing Life Insurance Policy***
   Prior to surrendering an existing life insurance policy, the College will discuss with the donor the advantages and disadvantages, if any, of surrendering a life insurance contract due to a potential failure or the opportunity to achieve the desired level of funding, usually the same amount of the death benefit, in their living years. Although informing the donor is not required where the College is owner and sole beneficiary of the policy, the courtesy of notifying the donor is considered a prudent and important demonstration of stewardship.

4. ***Other Types of Gifts Accepted***
   The creation of all future EBF accounts must involve the initial surrender of a life insurance policy or a documented decision by a donor to forego the purchase of a life insurance policy in favor of an EBF account. Any subsequent gifts to EBF accounts must be irrevocable to be accepted by the College, and such contributions may include cash, securities and real property. A gift of cash or securities given indirectly through fiduciary devices is considered acceptable unless contrary to the mission of the College and/or state and federal regulations. Real property is considered acceptable; however, the value of gifted real estate will not be reflected in the account until the property is converted to cash. (For additional guidance on gift acceptance issues, please refer to the College's *Gift Acceptance and Disposition Policy*.)

5. ***Naming Rights***
   The donor who initiates an EBF account will be allowed to name the endowment fund that will eventually be created by their EBF account. Named endowment funds can be established by a minimum contribution as specified in the College's *Naming Opportunities and Gift Recognition Policy*. Each named endowment fund is considered "open-ended" and growth will be encouraged.

6. ***Fund Income***
   The income of the EBF will be administered in keeping with established policies and guidelines of the College, and the EBF will be monitored by the College's chief financial officer.

7. ***Administration of the Endowment Builder Fund***
   The EBF will be invested in accordance with the *Investment Policy* of the Board of Trustees, which can be modified periodically at the Board's discretion. The EBF may be co-mingled for purposes of investment with other College funds. The original corpus and any subsequent contributions will be invested for a period of time to be determined by agreement with the donor at the time the gift is given.

   The original contributions to EBF accounts will be exempt from spending during a predetermined growth period. At the end of the predetermined growth period, the restricted endowment will be used to fund the original intent of the donor in accordance with the College's *Spending Policy*. Earnings from the EBF account will remain for future growth over a period of time not to exceed thirty-five years following the first recorded gift or the original gift objective of the donor(s), whichever is sooner.

8. ***Administration Fees***
   The College may assess an administrative fee not to exceed actual costs associated with the administration of the EBF. The administrative fee, if any, may be waived with the approval of the President of the College and/or the chief financial officer.

C. **Previous Endowment Builder Fund Policies**
This policy supersedes any prior policies, statements or understandings regarding the marketing and establishment of Endowment Builder Fund accounts, but it does not modify any existing agreements between the College and EBF donors.

D. **Effective Date**
This policy became effective with its adoption by the St. Norbert College Board of Trustees on February 9, 2007.