



**The United Church
of Canada
General Council**

GCE45 GS17 Approval to Utilize Annuity Fund Surplus for Operating Budget for November 2025

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1. What is the issue?

The United Church of Canada (UCC) has administered a charitable gift annuity program for decades. This program offers individuals (annuitants) the opportunity to make an irrevocable gift to the United Church in exchange for a guaranteed, regular annuity payment for life, along with a charitable donation receipt.

The value of the annuity payment and the donation receipt amount are determined using actuarial tables approved by the Canada Revenue Agency. While similar to a life insurance product, the charitable gift annuity includes a philanthropic component, making it a popular tool in the past for donors wishing to make an immediate charitable contribution while receiving lifetime income. However, its popularity has declined due to increased financial market volatility, deviations in life expectancy from actuarial assumptions, and the complex administration and specialized expertise required to manage the program effectively.

An annuitant may designate a United Church of Canada affiliated mission unit as the beneficiary to receive the remaining balance in the annuity account upon the termination of the annuity agreement (i.e., upon the annuitant's death). The balance is calculated as the initial principal amount of the annuity contract, plus any interest earned, minus the total payments made to the annuitant. For example, if an annuitant outlives the life expectancy used in the actuarial table, the beneficiary may receive less than the initially estimated residual gift, and vice versa.

The United Church of Canada's Annuity Fund has accumulated a healthy surplus, primarily due to the decision to shift from fixed income to pooled investment, and outstanding investment performance. This improvement became especially evident after a significant portion of the fund was transitioned from an internally managed bond portfolio to a pooled investment strategy overseen by an external asset manager. The move to active investment management was initially intended to address liquidity challenges in meeting ongoing annuity interest payments to annuitants.

The surplus has continued to grow largely due to the absence of a clearly defined policy for its use. As the General Council Office (GCO), acting as administrator, ultimately bears the liability for any funding shortfall resulting from underperformance in investment markets. It is worth noting that charitable gift annuity programs are no longer widely adopted among Canadian charities. Only a handful of organizations continue to operate similar programs, and the United Church's annuity fund is among the few that currently maintain a surplus balance.

2. Why is the issue important?

In discerning the mandate to "live within our means," questions have been raised about the prudence of relying solely on reductions to grants and staffing budgets, especially when healthy funding is available beyond the operating reserve. Following a thorough review of the annuity fund's history and an analysis of the factors contributing to the surplus, it has been determined that it is appropriate to utilize a portion of the surplus to support the operating budget. This is particularly relevant given that the operating budget ultimately bears the financial risk should the annuity fund fall into deficit. The most critical consideration remains ensuring that sufficient reserves are maintained within the annuity fund to absorb future market volatility and actuarial deviations.

Historically, there was no formal policy governing the use of annuity fund surpluses, which created uncertainty regarding the appropriate use of excess funds. The establishment of a funding policy for the gift annuity program establishes clear criteria and procedures for determining when and how surplus funds may be utilized. This policy ensures that any use of annuity fund surpluses is consistent with fiduciary responsibilities, long-term fund sustainability, and the operating needs of the organization.

Following internal review and consultation with actuarial experts, staff recommends using a portion of the annuity fund's surplus to support the operating budget. This approach allows the Church to alleviate the budget challenge while maintaining the strong funding position for the long-term financial sustainability of the annuity fund.

3. How might the Executive of the General Council respond to this issue?

The General Secretary recommends

That the General Council Executive approve the transfer of \$500,000 per year during the 2026-2028 Triennial Budget Cycle from the Annuity Fund to the Operating Budget. For greater clarity, the total transfer amounts to \$1.5 million over the three-year period.

4. What will be the impact?

The proposal supports the Church's strategic priorities by alleviating operating budget challenges, minimizing the need for grant and staffing reductions, and ensuring that sufficient funds are maintained in the annuity fund to continue meeting obligations to annuitants and beneficiaries.

6. For the body transmitting this proposal to the General Council Executive:

The Finance Advisory Committee has reviewed the proposal and transmits it with a recommendation for approval.

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