



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
SIENA COLLEGE

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

DECEMBER 11, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

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AS OF

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EXAMINER:

KINGS ANKRAH

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

June 21, 2016

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31325, dated November 18, 2015 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Siena College, hereinafter referred to as the "Fund." The Fund's home office is located at 515 Loudon Road, Loudonville, NY 12211.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination. (See item 4 of this report)

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. (See item 4 of this report)

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2014 filed annual statement. (See item 5 of this report)

The examiner's review of the Fund's treatment of annuitants did not reveal significant instances which deviated from the New York Insurance Law, Department regulations and circular letters and the operating rules of the Fund. (See item 6 of this report)

The examiner recommends that the Fund prepare its listing of reserves in accordance with the Department's instructions. (See item 7 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2009. This examination covers the period from January 1, 2010 through December 31, 2014. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2014 but prior to the date of this report (i.e., the completion date of the examination).

The examination comprised a verification of assets and liabilities as of December 31, 2014 to determine whether the Fund's filed 2014 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner also reviewed the corrective actions taken by the Fund with respect to the recommendations contained in the prior report on examination. The results of such review are contained in item 8 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF FUND

Siena College (the “College”) is organized for the purpose of establishing, operating and maintaining a college to promote and disseminate higher education in the arts, sciences and business administration in the county of Albany, New York. The College grants and confers degrees and honors in conformity with the rules of the Board of Regents of the University of the State of New York. Under the provisions of its by-laws, the College is permitted to issue gift annuity agreements and it has done so since 1998. A special permit was granted to the College by the Department on May 31, 2000, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

Berkshire Bank is the Fund’s custodian and investment manager. Renaissance Administration issues annuity benefit payments and calculates gift annuity values. Harbridge Associates performs the calculation of Net Reserves on behalf of the Fund. All other operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

The management of the College and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to 40 regular voting trustees. As of December 31, 2014, the board consisted of 35 trustees. The trustees elect a president, chairperson, vice-chairperson, secretary, treasurer and an assistant secretary. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE

Section 312(b) of the New York Insurance Law states, in part:

“(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer’s files confirming that such member has received and read such report....”

The Fund failed to maintain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.

The examiner requested the board of trustees minutes to determine if the board, or a committee thereof, approved the purchases and sales of investments during the examination period. The Fund only provided the examiner with copies of the investment committee minutes for 2010 and 2011. The Fund did not provide the examiner with copies of the minutes for other years during the examination period, namely 2012, 2013, and 2014.

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.

5. SIGNIFICANT FINANCIAL INFORMATION

The following table indicates the Fund's financial growth during the period under review:

	December 31, <u>2009</u>	December 31, <u>2014</u>	<u>Increase</u>
Admitted assets	\$ <u>2,111,742</u>	\$ <u>2,601,496</u>	\$ <u>489,754</u>
Liabilities	\$ <u>1,062,327</u>	\$ <u>1,071,839</u>	\$ <u>9,512</u>
Minimum required fund balance	\$ 106,233	\$ 107,184	\$ 951
Excess fund balance (surplus)	<u>943,182</u>	<u>1,422,473</u>	<u>479,291</u>
Total annuity fund balance	\$ <u>1,049,415</u>	\$ <u>1,529,657</u>	\$ <u>480,242</u>
Total liabilities and annuity fund balance	\$ <u>2,111,742</u>	\$ <u>2,601,496</u>	\$ <u>489,754</u>

The increase in assets, liabilities and annuity fund balance reflects an increase in the total number of annuities in force. Annuities increased from 27 with annual payment amounts of \$92,269 as of December 31, 2009 to a total of 31 with annual payment amounts of \$106,549 as of December 31, 2014.

The increase in assets and annuity fund balance is also attributable to an increase in the market value of investments in common stocks.

The Fund's admitted assets, as of December 31, 2014, were invested in common stocks (57.92%) and bonds (34.95%). All bonds held were investment grade.

6. TREATMENT OF ANNUITANTS

The examiner reviewed a sample of annuity files to determine whether the annuitants were treated fairly and in accordance with the provisions of the annuity agreements. The examination also consisted of a review of the various controls involved, a check of the accuracy of the computations and the tracing of accounting data to the books of account. Based upon the sample reviewed, no significant findings were noted.

7. ANNUAL STATEMENT REPORTING

The Department's Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement as they pertain to the requirement of an annuity reserve listing state, in part:

“1(b) Two electronic copies of the reserve listing: one in an excel format and the other in a PDF format.

‘...providing complete details relative to annuity tables, rates of interest, etc. as of the current year. The information that is required for each gift is: name and/or contract number; sex; date of birth; issue date; gift amount; annual income paid; mode of payment; for deferred annuities: annuity commencement date; for joint and survivor contracts: all information previously listed on both lives. Contracts must be identifiable as to which valuation basis and interest rate was used to value each contract. Actuarial statements or certifications are not acceptable in lieu of the detailed listing.’”

The examiner reviewed the Fund's reserve listings for each of the years in the examination period and determined that the Fund's filings did not adhere to the Department's Instructions. The Fund's reserve listings did not include information related to the annuitants' (donors') gender, payout rate, date of birth, date of death and reserve state.

The examiner recommends that the Fund prepare its listing of reserves in accordance with the Department's instructions.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent actions taken by the Fund in response to each recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommended that the board of trustees, or a committee thereof, review the Fund's investments at least annually. This is a repeat recommendation.</p> <p>The Fund failed to take corrective action in response to this prior report recommendation. (See item 4 of this report)</p>
B	<p>The examiner recommended that the Fund prepare its listing of reserves according to the Department's instructions.</p> <p>A similar recommendation is contained in this report. (See item 7 of this report)</p>

9. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.	5
C	The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5
D	The examiner recommends that the Fund prepare its listing of reserves in accordance with the Department's instructions.	8

Respectfully submitted,

_____/s/
Kings Ankrah
Senior Insurance Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

KINGS ANKRAH, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/
Kings Ankrah

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31325

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ANTHONY J. ALBANESE, Acting Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

KINGS ANKRAH

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
SIENA COLLEGE**

and to make a report to me in writing of the condition of said

FUND

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 18th day of November, 2015

ANTHONY J. ALBANESE
Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU

