



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
SYRACUSE UNIVERSITY

CONDITION:

DECEMBER 31, 2015

DATE OF REPORT:

MAY 27, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

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EXAMINER:

JOCELYNE TURENE

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

August 24, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31468, dated March 31, 2016 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Syracuse University, hereinafter referred to as the "Fund." The Fund's home office is located at the Treasurer's Office, 621 Skytop Road, Syracuse, New York 13244.

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 examiner recommends that the Fund diversify its investment holdings. (See item 4 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 5 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2010. This examination covers the period from January 1, 2011 through December 31, 2015. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2015 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, 2015 to determine whether the Fund's filed 2015 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

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

Syracuse University (the “University”) is organized for the purpose of diffusing knowledge, and promoting the learning of literature, science and art, and the knowledge of the learned professions. Under the provisions of its by-laws, the University is permitted to issue gift annuity agreements and it has done so since 1927. A special permit was granted to the University by the Department on December 3, 1947, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund. The University maintains an agreement with its custodian, State Street Bank and Trust Company of Boston, Massachusetts (“State Street”). Under the terms of the agreement, State Street is the investment manager and custodian of the Fund’s assets. State Street also: calculates and tracks gift annuity remainder values; distributes periodic payments to income beneficiaries; prepares and distributes annual IRS Forms 1099-R; and assists the Fund in completing its New York State filing.

The management of the University and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to a maximum of 70 regular voting trustees. As of December 31, 2015, the board consisted of 50 trustees. The trustees elect the Chancellor and President of the University, a chairman, one or more vice chairmen, and a secretary. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. SIGNIFICANT FINANCIAL INFORMATION

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

	December 31, <u>2010</u>	December 31, <u>2015</u>	<u>(Decrease)</u>
Admitted assets	\$ <u>10,685,874</u>	\$ <u>8,788,058</u>	\$( <u>1,897,816</u> )
Liabilities	\$ <u>7,248,192</u>	\$ <u>5,862,536</u>	\$( <u>1,385,656</u> )
Minimum required fund balance	\$ 724,819	\$ 586,254	\$ (138,565)
Excess fund balance (surplus)	<u>2,712,862</u>	<u>2,339,268</u>	<u>(373,594)</u>
Total annuity fund balance	\$ <u>3,437,681</u>	\$ <u>2,925,522</u>	\$ <u>(512,159)</u>
Total liabilities and annuity fund balance	\$ <u>10,685,873</u>	\$ <u>8,788,058</u>	\$( <u>1,897,815</u> )

The decrease in assets, liabilities and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 228 with annual payment amounts of \$1,071,227 as of December 31, 2010 to a total of 214 with annual payment amounts of \$830,374 as of December 31, 2015.

The Fund's admitted assets, as of December 31, 2015, were mainly invested in common stocks (98.75%).

Section 1409(a) of the New York Insurance Law states,

“(a) Except as more specifically provided in this chapter, no domestic insurer shall have more than ten percent of its admitted assets as shown by its last statement on file with the superintendent invested in, or loaned upon, the securities (including for this purpose certificates of deposit, partnership interests and other equity interests) of any one institution.”

According to the 2015 annual statement on file, the Fund reported 34.55% invested in the securities of S&P 500 Common Trust Fund (“CTF”) and 27.13% invested in securities of Passive Bond Mkt Idx CTF. The Fund's current concentration in the two CTFs makes it highly unlikely that the Fund's other assets could provide a variability to offset the risks inherent in these funds.

The examiner recommends that the Fund diversify its investment holdings. A trustee using reasonable care, skill and caution should diversify the Fund's assets. A diversification is proper when it disperses the investments' risks consistent with the Investment Strategy Statement's risk, return, and time horizon objectives, and the various risks in the portfolio offset each other. Section 1409 of the New York Insurance Law is instructive. Limiting exposure to any assets of any one institution to ten percent of admitted assets would reasonably assure that the risks in the investment in that institution are offset by the rest of the portfolio. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.

## 5. 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.

6. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund diversify its investment holdings.	6

Respectfully submitted,

\_\_\_\_\_/s/  
Jocelyne Turene  
Insurance Examiner

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

JOCELYNE TURENE, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/s/  
Jocelyne Turene

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

**APPOINTMENT NO. 31468**

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, **MARIA T. VULLO**, 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:

**JOCELYNE TURENE**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
SYRACUSE UNIVERSITY**

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

**FUND**

with such other information as she 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 31st day of March, 2016

**MARIA T. VULLO**

Acting Superintendent of Financial Services

By:

*Mark McLeod*

**MARK MCLEOD**

**DEPUTY CHIEF - LIFE BUREAU**

