



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

CONDITION:

DECEMBER 31, 2015

DATE OF REPORT:

JULY 5, 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

October 21, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31471, 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 University of Rochester, hereinafter referred to as the “Fund.” The Fund’s home office is located at 208 Wallis Hall, Rochester, New York 14627.

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'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, 2015 filed annual statement. (See item 4 of this report)

The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated. (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

The University of Rochester (the “University”) is organized for the purpose of establishing an institution for scientific and classical education. Under the provisions of its by-laws, the University is permitted to issue gift annuity agreements and it has done so since 1988. A special permit was granted to the University by the Department on January 4, 1991, 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 Fund receives the gifts from the donors and determines the terms of the annuity agreements.

The Northern Trust Company (“Northern Trust”) is the Fund’s custodian. Northern Trust is also the agent and attorney-in-fact with authority to provide income, administrative and planned giving services with respect to the securities, cash or similar property or assets.

All of the University’s assets are held in the University’s Long Term Investment Pool (“LTIP”). The LTIP includes bonds, common stocks, mutual funds, hedge funds, and cash and cash equivalents. By letter dated June 13, 2011, the Department acknowledged that the Fund’s custody arrangement is in compliance with Section 1110(b) of the New York Insurance Law. The University’s Investment Committee reviews and approves the Fund’s investments.

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 the number of regular voting trustees as determined by the board of trustees. As of December 31, 2015, the board consisted of 50 trustees. The trustees elect a chair of the board, president, provost, treasurer, secretary and vice-presidents. 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 growth during the period under review:

	December 31, <u>2010</u>	December 31, <u>2015</u>	<u>Increase</u>
Admitted assets	<u>\$31,740,411</u>	<u>\$39,496,940</u>	<u>\$7,756,529</u>
Liabilities	<u>\$23,428,096</u>	<u>\$24,985,783</u>	<u>\$1,557,687</u>
Minimum required fund balance	\$ 2,288,766	\$ 2,437,892	\$ 149,126
Excess fund balance (surplus)	<u>6,023,549</u>	<u>12,073,265</u>	<u>6,049,716</u>
Total annuity fund balance	<u>\$ 8,312,315</u>	<u>\$14,511,157</u>	<u>\$6,198,842</u>
Total liabilities and annuity fund balance	<u>\$31,740,411</u>	<u>\$39,496,940</u>	<u>\$7,756,529</u>

The increase in assets, liabilities and annuity fund balance reflects an increase in the total number of annuities in force. Annuities increased from 429 with annual payment amounts of \$2,261,391 as of December 31, 2010 to a total of 480 with annual payment amounts of \$2,635,423 as of December 31, 2015.

The Fund's admitted assets, as of December 31, 2015, represent the Fund's interest in the University of Rochester Long Term Investment Pool ("LTIP").

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.

The examiner's review of a sample of 10 annuity contracts terminated revealed that in 2 out of 10 cases reviewed, the Fund failed to obtain a copy of the death certificate to confirm termination of the annuity contract. In one of the two cases, the Fund obtained copy of the research performed by the Fund's administrator; in the other case, the Fund obtained a copy of the obituary.

The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated.

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 obtain copies of the death certificates of annuitants for annuity contracts terminated.	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 _____

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
UNIVERSITY OF ROCHESTER**

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

