



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
STONY BROOK FOUNDATION, INC.

CONDITION:

DECEMBER 31, 2016

DATE OF REPORT:

JUNE 23, 2017

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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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

September 7, 2017

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

Madam:

In accordance with instructions contained in Appointment No. 31614, dated April 20, 2017 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Stony Brook Foundation, Inc., hereinafter referred to as “the Fund.” The Fund’s home office is located at 230 Administration Building, Stony Brook, NY 11794-1188.

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 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 recommends that the Fund use on the custodian agreement and any associated accounts the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York. (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, 2016 filed annual statement. (See item 5 of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that were not filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.

The examiner recommends that the Fund use on all annuity benefit payment checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York. (See item 6 of this report)

2. SCOPE OF EXAMINATION

This is the first examination of the Fund since it received its special permit to issue gift annuity agreements in 2012. This examination covers the period from March 1, 2012 through December 31, 2016. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2016 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, 2016 to determine whether the Fund's filed 2016 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification.

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 Stony Brook Foundation, Inc. (the “Foundation”) is organized for the purpose of advancing the mission and goals of State University of New York Stony Brook (also referred to as Stony Brook University or the “University”) by facilitating, accepting and managing philanthropic gifts and grants for the benefit of the University, the University Medical Center and the Long Island State Veterans Home. The Foundation has been issuing gift annuity agreements since December 16, 1991, per board resolution. A permit was granted to the Foundation by the Department on March 02, 2012, for the purpose of issuing 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 Fund personnel, including recordkeeping and investment management.

PNC Institutional Investment Asset Management is the Fund’s custodian and investment manager.

The management of the Foundation and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to thirty (30) regular voting trustees, not including any ex-officio trustees. As of December 31, 2016, the board consisted of 24 trustees. The trustees elect a chair, a vice chair, a secretary and a treasurer and may also include a chair emeritus, and such other officers with such titles as the Board of Trustees shall determine. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE AND INTERNAL CONTROLS

The examiner reviewed the Investment Committee minutes to determine whether the Investment Committee approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the committee approved the purchases and sales of investments during the examination period

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.

The examiner's review of the Fund's custodian agreement and associated account noted that these are under the name of Stony Brook Foundation, not in the name of the Stony Brook Foundation Charitable Gift Annuity Pool, the name agreed upon at the time the Department granted a permit to issue annuities.

The examiner recommends that the Fund use on the custodian agreement and any associated accounts the name it agreed to by board resolution as part of its permit application to the Department for a permit to issue charitable gift annuities in New York.

5. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2016</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$600,618</u>	<u>\$638,537</u>	<u>\$ 37,919</u>
Liabilities	<u>\$513,821</u>	<u>\$568,672</u>	<u>\$ 54,851</u>
Minimum required fund balance	\$ 51,382	\$ 56,867	\$ 5,485
Excess fund balance (surplus)	<u>35,415</u>	<u>12,998</u>	<u>(22,417)</u>
Total annuity fund balance	<u>\$ 86,797</u>	<u>\$ 69,865</u>	<u>\$(16,932)</u>
Total liabilities and annuity fund balance	<u>\$600,618</u>	<u>\$638,537</u>	<u>\$ 37,919</u>

The increase in assets and liabilities reflects an increase in the total number of annuities in force. Annuities increased from 18 with annual payment amounts of \$60,088 as of December 31, 2012 to a total of 25 with annual payment amounts of \$68,147 as of December 31, 2016.

The decrease in annuity fund balance reflects a total transfer of \$16,669 (\$4,610 in 2014 and 12,059 in 2015) to the general funds of the foundation.

The Fund's admitted assets, as of December 31, 2016, were invested mainly in common stocks (97.62%) and mutual funds (2.38%).

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.

Section 1110(a) of the New York Insurance Law states, in part:

“. . . Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . .”

The examiner’s review of the 11 gift annuity agreement forms used by the fund for gift annuities issued in New York during the examination period noted that in 3 instances, the Fund used gift annuity agreement forms that differed from the gift annuity agreements filed with the Superintendent. The examiner also noted that in 7 instances, the Fund used gift annuity agreement forms that were not filed with the Superintendent.

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that were not filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.

The examiner’s review of a sample of benefit payments made to annuitants during the examination period revealed that only the name of the custodian “PNC Institutional Asset Management”, not the Fund’s name, appeared on the annuity benefit checks.

The examiner recommends that the Fund’s use on all annuity benefit payment checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.

7. 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 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
B	The examiner recommends that the Fund use on the custodian agreement and any associated accounts the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.	5
C	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that were not filed with the Superintendent.	7
D	The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.	7
E	The examiner recommends that the Fund use on all annuity benefit payment checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.	7

Respectfully submitted,

_____/s/
Jocelyne Turene
Senior 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. 31614

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, **MARIA T. VULLO**, 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
STONY BROOK FOUNDATION**

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 20th day of April, 2017

MARIA T. VULLO
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

