



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

CONDITION:

DECEMBER 31, 2017

DATE OF REPORT:

NOVEMBER 26, 2018

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

HASAN AHMED

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Linda A. Lacewell  
Acting Superintendent

February 26, 2019

Honorable Linda A. Lacewell  
Acting Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No.31735, dated April 13, 2018 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Iona College, hereinafter referred to as the "Fund." The Fund's home office is located at 715 North Avenue, New Rochelle, NY 10801.

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's board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes. (See item 3C 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 3C of this report)

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives. (See item 3C 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)

The examiner recommends that the Fund use the name, as agreed upon by resolution of the board of trustees, for its custodian account. (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 2013. This examination covers the period from October 17, 2013 through December 31, 2017. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2017 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, 2017 to determine whether the Fund's filed 2017 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

#### A. History

Iona College (“College”) was created for the purposes of providing educational opportunities by opening new paths to economic and social advancement for New York’s working class. The College established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 2013. A permit was granted to the College by the Department on October 17, 2013, for the purpose of issuing gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

#### B. Services

High Ground Trust Company is the custodian of the Fund's assets. High Ground Trust Company also performs investment management, benefit payments to annuitants, annuity calculations and preparation of the annual statement. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

#### C. Corporate Governance

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 a minimum of 5, and a maximum of 37 trustees. As of December 31, 2017, the board consisted of 32 trustees. The trustees elect a Chairman, Vice Chairmen, and such other officers as they may determine. The board will appoint the President of the College. The nomination and election procedures of the trustees and their term of office are set by the by-laws.

The examiner requested the minutes of the board of trustees’ meetings for the examination period. The Fund provided the examiner with a copy of the minutes for the board meeting conducted in 2013 only.

The examiner recommends that the Fund’s board of directors, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.

The examiner reviewed the meeting minutes provided by the Fund to determine whether the board 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 Investment Strategy Statement showed that it does not contain reference to the prudent investor standard as specified in Section 1110(b) of the New York Insurance Law.

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.

#### 4. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the growth in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2017</u>	<u>Increase</u>
Admitted assets	\$ <u>156,903</u>	\$ <u>186,773</u>	\$ <u>29,870</u>
Liabilities	\$ <u>40,860</u>	\$ <u>59,640</u>	\$ <u>18,780</u>
Minimum required fund balance	\$ 4,086	\$ 5,964	\$ 1,878
Excess fund balance (surplus)	<u>111,957</u>	<u>121,169</u>	<u>9,212</u>
Total annuity fund balance	\$ <u>116,043</u>	\$ <u>127,133</u>	\$ <u>11,090</u>
Total liabilities and annuity fund balance	\$ <u>156,903</u>	\$ <u>186,773</u>	\$ <u>29,870</u>

The increase in assets, liabilities and annuity fund balance is due to the increase in the total number of annuities in force and growth in the investments. Annuities increased from 2 with annual payment amounts of \$3,040 as of December 31, 2013 to a total of 5 with annual payment amounts of \$4,085 as of December 31, 2017.

The Fund's admitted assets, as of December 31, 2017, were invested mainly in common stocks (42.70%) and cash on deposit (54.61%).

## 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. CUSTODIAN

The examiner's review of the Fund's custodian account noted that the account is in the name of "Iona College", not in the name of the Fund agreed to by resolution of the board of trustees filed with the Department.

The examiner recommends that the Fund use the name, as agreed upon by resolution of the board of trustees, for its custodian account.

## 7. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
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Respectfully submitted,

\_\_\_\_\_/s/  
Hasan Ahmed  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Hasan Ahmed

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

APPOINTMENT NO. 31735

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:

**HASAN AHMED**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
IONA 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 13th day of April, 2018

MARIA T. VULLO  
Superintendent of Financial Services

By:



MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

