



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

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

JUNE 6, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

ROCHESTER INSTITUTE OF TECHNOLOGY

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EXAMINER:

DONNA TAYLOR

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Shirin Emami  
Acting Superintendent

February 23, 2016

Honorable Shirin Emami  
Acting Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31164, dated May 8, 2014 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Rochester Institute of Technology, hereinafter referred to as “the Fund.” The Fund’s home office is located at 7 Lomb Memorial Drive, Rochester, New York 14623.

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, 2013 filed annual statement. (See item 4 of this report)

The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate. This is a repeat recommendation. (See item 5 of this report)

The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2008. This examination covers the period from January 1, 2009 through December 31, 2013. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2013 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, 2013 to determine whether the Fund's filed 2013 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 action taken by the Fund with respect to the recommendation contained in the prior report on examination. The result of such review is contained in item 7 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

The Rochester Institute of Technology (the “University”), founded in 1829, is a privately endowed, coeducational university with nine (9) colleges emphasizing career education and experiential learning. Under the provisions of its by-laws, the University is permitted to issue gift annuity agreements and it has done so since 1996. A special permit was granted to the University by the Department on September 27, 1999, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. Operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

The Fund has a custodian agreement with TIAA-CREF Trust Company (“TIAA-CREF”), under which TIAA-CREF performs custody services with respect to the Fund’s assets. The University has appointed Kaspick & Company, LLC (“Kaspick”), a subsidiary of TIAA-CREF, to provide the investment management and gift administration services, including, but not limited to, annuity benefit payments on behalf of the Fund. Kaspick outsources its custodian services to Charles Schwab & Company, Inc.

The management of the University and the Fund and all of its affairs and property are entrusted to a board of trustees. The exact number of the Trustees shall be set by the maximum number permitted under the University’s Charter or any amendments thereof, and by the resolution of the board at its annual meeting. As of December 31, 2013, the board consisted of 49 voting trustees. The trustees elect a Chairman, Vice-Chairman, President and an Executive Committee annually. The nomination and election procedures of the trustees and their term 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:

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2013</u>	<u>Increase</u>
Admitted assets	<u>\$5,197,147</u>	<u>\$8,428,311</u>	<u>\$3,231,164</u>
Liabilities	<u>\$4,510,385</u>	<u>\$5,304,957</u>	<u>\$ 794,572</u>
Minimum required surplus	\$ 451,039	\$ 528,316	\$ 77,277
Unassigned funds (surplus)	<u>235,723</u>	<u>2,595,038</u>	<u>2,359,315</u>
Total surplus	<u>\$ 686,762</u>	<u>\$3,123,354</u>	<u>\$2,436,592</u>
Total liabilities and surplus	<u>\$5,197,147</u>	<u>\$8,428,311</u>	<u>\$3,231,164</u>

Note: Any differences above are due to rounding.

The increase in assets, liabilities and surplus reflects an increase in the total annual payments. Annual payments increased from \$480,356 as of December 31, 2008 to \$629,655 as of December 31, 2013; however, the number of annuities in force decreased from 72 as of December 31, 2008 to 70 as of December 31, 2013.

The increase in assets and surplus is also attributable to the market performance of the underlying investments in the Fund's portfolio. Specifically, the Fund reported unrealized capital gains of \$824,002 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were mainly invested in stocks (97.17%).

## 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 reviewed a sample of seven annuity contracts terminated out of a population of 15 total annuities terminated during the examination period (January 1, 2009 through December 31, 2013). The examiner determined that for each of the seven annuitants selected for review, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract associated with each deceased annuitant.

The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate. This is a repeat recommendation.



## 6. CUSTODIAN

Charles Schwab & Company, Inc. (“Charles Schwab”) performs custody services on behalf of Kaspick & Company, LLC, a subsidiary of TIAA-CREF, which provides investment management and gift administration services on behalf of the Fund. The examiner determined that Charles Schwab is not a licensed bank or trust company.

The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund’s securities.

## 7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent action taken by the Fund in response to the recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate.</p> <p>Due to the perceived potential sensitivity of requesting an annuitant's death certificate and its potential impact on donor relationships, the University, as part of its standard procedures, continues to obtain an obituary print notice from local media and retain such print on file in lieu of a death certificate. As a result, a repeat recommendation appears in this report. See item 5 of this report.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate. This is a repeat recommendation.	5
B	The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities.	6

Respectfully submitted,

\_\_\_\_\_/s/  
Donna Taylor  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
Donna Taylor

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

APPOINTMENT NO. 31164

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, BENJAMIN M. LAWSKY, 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:

**DONNA TAYLOR**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
ROCHESTER INSTITUTE OF TECHNOLOGY**

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

**FUND**

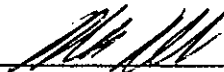
with such other information as she shall deem requisite.

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

this 8th day of May, 2014

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:



MICHAEL MAFFEI  
ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

