



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

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

OCTOBER 4, 2013

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

KINGS ANKRAH

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Anthony J. Albanese  
Acting Superintendent

October 30, 2015

Honorable Anthony J. Albanese  
Acting Superintendent of Financial Services  
New York, New York 10004

Sir:

In accordance with instructions contained in Appointment No. 30922, dated March 18, 2013 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Cornell University, hereinafter referred to as “the Fund.” The Fund’s home office is located at 130 East Seneca Street, Suite 400, Ithaca, New York 14850.

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, 2012 filed annual statement. (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, 2007. This examination covers the period from January 1, 2008 through December 31, 2012. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2012 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, 2012 to determine whether the Fund's filed 2012 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

Cornell University (“the Fund”) is organized to discover, preserve, promote and disseminate knowledge through education. Under the provisions of its by-laws, the organization is permitted to issue gift annuity agreements and it has done so since 1991. A special permit was granted to the organization by the Department on June 22, 1993, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

The Fund administers the issuing and maintenance of all annuity agreements.

Bank of New York Mellon Corporation (“BNY Mellon”) is the Fund’s custodian and investment manager. The Fund has outsourced the accounting, record keeping, tax preparation and administration of annuity agreements to BNY Mellon.

The management of the organization and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to 64 regular voting trustees. As of December 31, 2012, the board consisted of 64 trustees. The trustees elect a chairperson, one or more vice chairpersons and a president. 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 (decline) during the period under review:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2012</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$66,214,421</u>	<u>\$58,930,103</u>	<u>\$ (7,284,318)</u>
Liabilities	<u>\$37,517,416</u>	<u>\$46,945,715</u>	<u>\$ 9,428,299</u>
Minimum required surplus	\$ 3,751,742	\$ 4,694,572	\$ 942,830
Unassigned funds (surplus)	<u>24,945,263</u>	<u>7,289,817</u>	<u>(17,655,446)</u>
Total surplus	<u>\$28,697,005</u>	<u>\$ 11,984,388</u>	<u>\$(16,712,617)</u>
Total liabilities and surplus	<u>\$66,214,421</u>	<u>\$58,930,103</u>	<u>\$ (7,284,318)</u>

Note: Any differences are due to rounding.

The decrease in assets and surplus is due to the significant realized losses in the market value of common stocks in 2008.

The increase in liabilities and surplus reflects an increase in the total number of annuities in force. Annuities increased from 524 with annual payment amounts of \$4,318,174 as of December 31, 2007 to a total of 641 with annual payment amounts of \$5,095,880 as of December 31, 2012.

The Fund's admitted assets, as of December 31, 2012, were mainly invested in common stocks (96.28%).

## 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.



Respectfully submitted,

\_\_\_\_\_/s/  
Kings Ankrah,  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
Kings Ankrah

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

APPOINTMENT NO. 30922

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:

**KINGS ANKRAH**

as a proper person to examine the affairs of the

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

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 18th day of March, 2013

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

  
MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

