



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

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

JANUARY 8, 2014

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

Shirin Emami
Acting Superintendent

December 23, 2015

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

Madam:

In accordance with instructions contained in Appointment No. 30926, 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 Houghton College, hereinafter referred to as “the Fund.” The Fund’s home office is located at One Willard Avenue, Houghton, New York 14744.

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)

The examiner recommends that the Fund prepare its annual statements in accordance with the Department's annual statement instructions. (See item 6 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

The Houghton College (the “College”) is organized for the purpose of providing an academically challenging Christ-centered education in the liberal arts and sciences to students from diverse traditions and economic backgrounds and equips them to lead and labor as scholar-servants in a changing world. Under the provisions of its by-laws, the organization is permitted to issue gift annuity agreements and it has done so since January 1, 1971. A special permit was granted to the organization by the Department on August 19, 1977, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. The operations related to the solicitation of gifts, donor relations and general ledger accounting are handled by the Fund. Investments, payments to beneficiaries, tax reporting and actuarial functions are performed by the custodian, Key Bank National Association. Preliminary preparation of the annual statement is performed by an outside accounting firm, The Bookkeeping Agency.

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 35 regular voting trustees. As of December 31, 2012, the board consisted of 31 trustees. The trustees elect the President, district representatives, members-at-large and general board administration representatives. 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>2,062,296</u>	\$ <u>1,886,393</u>	\$(<u>175,903</u>)
Liabilities	\$ <u>1,201,587</u>	\$ <u>1,278,576</u>	\$ <u>76,989</u>
Minimum required surplus	\$ 120,159	\$ 127,858	\$ 7,699
Unassigned funds (surplus)	<u>740,551</u>	<u>479,960</u>	<u>(260,591)</u>
Total surplus	\$ <u>860,710</u>	\$ <u>607,818</u>	\$(<u>252,892</u>)
Total liabilities and surplus	\$ <u>2,062,297</u>	\$ <u>1,886,393</u>	\$(<u>175,904</u>)

The decrease in assets and surplus reflects a decrease in the number of annuities in force. Annuities decreased from 134 with annual payment amounts of \$176,067 as of December 31, 2007 to a total of 115 with annual payment amounts of \$173,094 as of December 31, 2012.

The increase in liabilities is due to the change in the net present value of the annuities and the change to the additional reserve required by Regulation 126. The net present value of annuities increased from \$1,201,587 as of December 31, 2007 to \$1,111,805 of net present value plus additional required reserve of \$166,771 for a total net reserve of \$1,278,576 in liabilities.

The Fund's admitted assets, as of December 31, 2012, were invested mainly in stocks (88.53%) and bonds (12.70%). All bonds held were investment grade.

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. ANNUAL STATEMENT REPORTING

The Fund reported “Cash in office” of \$53,734 in 2008; (\$51,465) in 2009; (\$59,024) in 2010; (\$73,151) in 2011; and (\$40,891) in 2012 as part of line item 6.1 in the Assets section in each of the annual statements filed during the exam period. The examiner determined that in cases in which “Cash in office” is noted as a negative amount, this line item is actually the net of principal and income cash balances held by the Fund’s custodian, awaiting next day investment in or coverage via sale from the automated cash management vehicle that operates within the custodial account.

The Department’s annual statement instructions for completing line item 6.2, “Cash on deposit,” in the Fund’s asset page in its filed annual statement state, in part:

“Line 6.2 ‘Current Year’ Column: Should agree with Schedule C, Column 6, Totals - Cash on Deposit.
‘Prior Year’ Column: Report prior year’s Totals - Cash on Deposit.”

The Department’s annual statement instructions for completing line item 6.2 refer to the instructions for completing Schedule C of the annual statement. Such instructions state, in part:

“Column 6 Balance
Report the ending balance in the depository’s account as of December 31 of the current year. Report the total balance of all open depository accounts on the line, ‘Total Cash on Deposit’. The total amount on this line should agree with the amount reported on Page 2, Line 6.2.”

The examiner determined that the amounts reported as “Cash in office” in the 2009, 2010, 2011, and 2012 annual statements were classified incorrectly, since the line was actually comprised of balances on deposit at the custodian. Accordingly, the Fund should have accounted for those amounts as “Cash on deposit,” as required per the Department’s annual statement instructions.

The examiner recommends that the Fund prepare its annual statements in accordance with the Department’s annual statement instructions.

7. 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 prepare its annual statements in accordance with the Department's annual statement instructions.	7

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 _____

APPOINTMENT NO. 30926

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:

JOCELYNE TURENE

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
HOUGHTON COLLEGE***

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 18th day of March, 2013

*BENJAMIN M. LAWSKY
Superintendent of Financial Services*

By:

*
MICHAEL MAFFEI*

*ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU*

