



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

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

OCTOBER 25, 2013

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

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AS OF

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EXAMINER:

SAUHUNG YOU

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Anthony J. Albanese
Acting Superintendent

November 20, 2015

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

Sir:

In accordance with instructions contained in Appointment No. 30940, 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 Union College, hereinafter referred to as “the Fund.” The Fund’s home office is located at 807 Union Street, Schenectady, NY 12308.

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 obtain a copy of the death certificate as proof of death of the annuitants. (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 also reviewed the corrective actions taken by the Fund with respect to the violation and recommendation contained in the prior report on examination. The results of such review are contained in item 6 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

Union College (the “College”) is organized for the purpose of the instruction and education of youth in the learned languages and liberal arts and sciences. Under the provisions of its by-laws, the college is permitted to issue gift annuity agreements and it has done so since 1991. A special permit was granted to the College by the Department on March 17, 1993, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

All operations related to the issuance and maintenance of annuity agreements are handled by the Fund.

TIAA CREF Trust Company, the Fund’s Investment manager and custodian, executed securities trades based on an agreement with the Fund and issued annuity benefit payments on behalf of the Fund during the examination period. The Fund changed its investment manager and custodian to State Street Bank and Trust Company starting January 2013.

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 45 regular voting trustees. As of December 31, 2012, the board consisted of 41 trustees. The trustees elect the Chairman, Vice Chairman, Secretary and General Counsel. 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 decline during the period under review:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2012</u>	<u>(Decrease)</u>
Admitted assets	<u>\$11,040,969</u>	<u>\$7,906,905</u>	<u>\$(3,134,064)</u>
Liabilities	<u>\$ 5,847,023</u>	<u>\$5,657,653</u>	<u>\$ (189,370)</u>
Minimum required surplus	\$ 583,081	\$ 564,842	\$ (18,239)
Unassigned funds (surplus)	<u>4,610,865</u>	<u>1,684,410</u>	<u>(2,926,455)</u>
Total surplus	<u>\$ 5,193,946</u>	<u>\$2,249,252</u>	<u>\$(2,944,694)</u>
Total liabilities and surplus	<u>\$11,040,969</u>	<u>\$7,906,905</u>	<u>\$(3,134,064)</u>

The decrease in assets and surplus is primarily due to unrealized capital losses of \$2.4 million in 2008.

The decrease in assets, liabilities and surplus also reflects a decrease in total annuity payments. Annuity payments decreased from \$750,087 as of December 31, 2007 to \$673,489 as of December 31, 2012. Annuities in force remained the same at 139 as of December 31, 2007 and as of December 31, 2012.

The Fund's admitted assets, as of December 31, 2012, were mainly invested in common stocks (99.51%).

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 five terminated annuities. In all five cases reviewed, the Fund indicated that it did not obtain a copy of the death certificate as proof of death of the annuitants.

The examiner recommends that the Fund obtain a copy of the death certificate as proof of death of the annuitants.

6. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and recommendation contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

<u>Item</u>	<u>Description</u>
A	The Fund violated Section 1110(a) of the New York Insurance Law using contract forms that were not filed with the Department The Fund filed the annuity forms with the Department on May 23, 2008.
B	The examiner recommends that the Fund use the annuity form agreement filed with the Superintendent. The Fund filed the annuity forms with the Department on May 23, 2008.

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 obtain a copy of the death certificate as proof of death of the annuitants.	6

Respectfully submitted,

_____/s/
Sauhung You
Insurance Examiner

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

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

_____/s/
Sauhung You

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 30940

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:

SAUHUNG YOU

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
UNION 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

