



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND

OF THE

SAGE COLLEGES

AS OF DECEMBER 31, 2019**

EXAMINER: Chacko Thomas

DATE OF REPORT: September 28, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

May 10, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 32124, dated August 12, 2020 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Sage Colleges. The Fund's home office is located at 65 First Street Troy, NY 12180.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain and maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they have received and read any current or future filed report on examination. (See item 3E 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 filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement. (See item 8 of this report)

Subsequent Event

On November 10, 2020, the Fund requested the surrender of its special permit. On December 15, 2020, the Department officially granted the surrender of its special permit. (See item 7 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department" or "DFS") examination and assessment of the Sage Colleges (the "Fund") through which Sage Colleges (the "Colleges") provides annuity benefits.

The prior examination was conducted as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2019. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2019 but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the College or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to adhered to practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards

The examination comprised a verification of assets and liabilities as of December 31, 2019 to determine whether the Fund's filed 2019 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 violations, recommendations and/or comments contained in the prior report on examination. The results of such review are contained in item 8 of this report.

3. DESCRIPTION OF FUND

A. History

The Sage Colleges formerly consisted of four divisions, namely: Russell Sage College, Sage Junior College of Albany, Sage Graduate School and Sage Evening College. In 2001, the Sage Junior College of Albany and the Sage Evening College merged to become the Sage College of Albany. The Sage Colleges now consists of three divisions: Russell Sage College, Sage Graduate School and Sage College of Albany. The Colleges are organized for the purpose of educating individuals in the liberal arts and preparing them for professional roles in the workplace. The Colleges established the Fund to issue gift annuity agreements in return for gifts from donors in 1993. The Superintendent of Insurance granted to the Colleges a Charitable Annuity Society special permit on May 2, 1995, for the purpose of issuing gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

B. Structure

The Fund is overseen by the Colleges' board of trustees. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

C. Assets under the Board of Trustees

As of the June 30, 2019 annual report, the College's Board of Trustees oversaw an endowment comprising \$38,937,281 in total assets. The Fund, as of December 31, 2019, held total admitted assets of \$239,879.

D. Third-party Payment Service Provider

Bank of America is the investment manager and acts as the custodian to the Fund's assets. Additionally, Bank of America processes annuity payments.

E. Oversight Structure

Section 312(b) of the New York Insurance Law states, in part:

“(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report....”

The examiner's review revealed that the Fund failed to obtain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain and maintain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they have received and read any current or future filed report on examination.

4. ASSETS AND LIABILITIES SUMMARY

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

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2019</u>	<u>(Decrease)</u>
Admitted assets	<u>\$523,861</u>	<u>\$239,879</u>	<u>\$(283,982)</u>
Liabilities	<u>\$302,857</u>	<u>\$160,783</u>	<u>\$(142,074)</u>
Minimum required fund balance	\$ 30,286	\$ 16,078	\$ (14,208)
Excess fund balance (surplus)	<u>190,718</u>	<u>63,018</u>	<u>(127,700)</u>
Total annuity fund balance	<u>\$221,004</u>	<u>\$ 79,096</u>	<u>\$(141,908)</u>
Total liabilities and annuity fund balance	<u>\$523,861</u>	<u>\$239,879</u>	<u>\$(283,982)</u>

The decrease in assets, liabilities and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 17 with annual payment amounts of \$44,352 as of December 31, 2014 to a total of 16 with annual payment amounts of \$22,845 as of December 31, 2019.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in equity securities (95.65%).

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 instructions to line 8 on page 3 of the filed annual statements for each year under examination states the following:

“Line 8 Report total annuity payments made during the current year and prior year.

If no amounts are reported for the current year, provide an explanation at Note 2 of the Notes to Financial Statement.”

Further, instruction 2 to the notes to the annual statement for each year under examination states the following, in part:

“Generally, it is expected that the amount of annuity payments that the Segregated Gift Annuity Fund makes during the year will be approximately the amount calculated by comparing the Annualized Amount of Annuity Payments at the beginning of the year and the amount outstanding at the end of year, as reported in the Exhibit of Annuities In Force (Page 3, Columns 3 and 9). If the amount reported on Page 3, Line 8 is significantly different than the amount so calculated, OR if the Society reports "0" on Page 3, Line 8, provide an explanation at this Note.”

The examiner reviewed the annuity payments for the Fund during the examination. Based upon his review, the examiner noted the following:

Annuity Payments per yearly bank statements:

2015	2016	2017	2018	2019
\$46,167	\$41,273	\$39,599	\$33,215	\$22,846

Annuity Payments to Donors & Others (Page 3, Line 8 of the Annual Statement):

2015	2016	2017	2018	2019
\$51,265	\$65,544	\$78,130	\$29,745	\$11,423

Annuity Payments per Reserve Listing, Beginning and End of Years:

	Beginning of Year	End of Year
2015	\$44,352	\$40,609
2016	\$40,609	\$42,289
2017	\$42,289	\$36,645
2018	\$36,645	\$22,845
2019	\$22,845	\$22,845

For all of the years under examination, except for 2018, the Fund reported annuity payments to donors or others that were either significantly below or above the payments per the reserve listing. The examiner determined that, for 2015 through 2017, the following amounts in line 8 should have been reported on page 3, line 11, gross amount transferred to general funds of the corporation:

Year	Amount
2015	\$8,548
2016	\$24,271
2017	\$38,885

Further, the following amounts should have been reported on page 3, line 8, annuity payments to donors and others for 2015 through 2017:

Year	Amount
2015	\$42,717
2016	\$41,273
2017	\$39,245

Lastly, in the Fund's filed 2019 annual statement, it reported \$11,423 annuity payments to donors and others. The examiner determined that it should have reported \$22,846 in annuity payments on page 3, line 8, annuity payments to donors and others.

The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.

7. SUBSEQUENT EVENT

On November 10, 2020, the Fund requested the surrender of its special permit. On December 15, 2020, the Department officially granted the surrender of its special permit.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and recommendations 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	<p>The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicating that they received and read the prior report on examination</p> <p>The Fund was unable to provide the signed statements. A similar violation appears in this report on examination.</p>
B	<p>The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they received and read the prior report on examination.</p> <p>The Fund was unable to provide the signed statements. A similar recommendation appears in this report on examination.</p>
C	<p>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</p> <p>A review of the minutes of the investment subcommittee of the board shows that the Investment Subcommittee approved the investment transactions.</p>
D	<p>The examiner recommends that the Fund prepare its annual statements in accordance with the Department's instructions</p> <p>A review of the annual statements filed during the examination period revealed additional significant deviations from the Department annual statement instructions. A similar recommendation appears in this report on examination.</p>

9. SUMMARY AND CONCLUSIONS

Following are the violation, recommendations, and comment contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain and maintain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they have received and read any current or future filed report on examination.	5
C	The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.	9
D	On December 15, 2020, the Department officially granted the surrender of its special permit.	10

Respectfully submitted,

/s/
Chacko Thomas
Senior Insurance Examiner

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

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

/s/
Chacko Thomas

Subscribed and sworn to before me
this _____ day of _____

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, 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:

CHACKO THOMAS

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
SAGE COLLEGES***

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 12th day of August, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

