



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

CONDITION:

DECEMBER 31, 2017

DATE OF REPORT:

APRIL 27, 2018

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

HUGHROY MIGHTY

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

April 13, 2021

Honorable Linda A. Lacewell
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31746, dated April 13th, 2018 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Sarah Lawrence College, hereinafter referred to as the “Fund.” The Fund’s home office is located at 1 Mead Way, Bronxville, NY 10708

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 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. (See item 3C of this report)

The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters. (See item 4 of this report)

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract. (See item 5 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2012. This examination covers the period from January 1, 2013 through December 31, 2017. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2017 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, 2017 to determine whether the Fund's filed 2017 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 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

A. History

Sarah Lawrence College (the “College”) is organized as a four-year liberal arts college whose purpose is to educate its students.

The College established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1997. A special permit was granted to the College by the Department on January 17, 2007, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

B. Services

The College prepares contracts, determines rates from the American Council on Gift Annuities tables, reviews purchases and sales of investments, maintains direct contact with annuitants, and files financial statements that include information on the annuities. State Street Global Advisors processes new and liquidating annuities and ongoing annuity payments, prepares and mails 1099 forms to annuitants, and produces investment reports. OSGroup prepares spreadsheets for annual filings with the State of New York.

C. Corporate Governance

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 not less than 19 and not more than 38 regular voting trustees. As of December 31, 2017, the board consisted of 24 trustees. The trustees elect the Chair of the Board, one or more Vice Chairs of the Board and the Secretary of the Board. The trustees also form a special committee to elect the president of the College. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

The examiner reviewed the board of trustees’ minutes to determine whether the board approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the board approved the purchases and sales of investments during the examination period.

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.

4. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2017</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$1,998,821</u>	<u>\$2,123,656</u>	<u>\$124,834</u>
Liabilities	<u>\$1,515,477</u>	<u>\$1,501,564</u>	<u>\$ (13,913)</u>
Minimum required fund balance	\$ 151,548	\$ 150,156	\$ (1,392)
Excess fund balance (surplus)	<u>331,796</u>	<u>471,935</u>	<u>140,139</u>
Total annuity fund balance	<u>\$ 483,344</u>	<u>\$ 622,091</u>	<u>\$138,747</u>
Total liabilities and annuity fund balance	<u>\$1,998,821</u>	<u>\$2,123,655</u>	<u>\$124,834</u>

The change in admitted assets were subject to investment market fluctuations, additional gifts, gifts being closed out, and payments to annuitants. The decrease in liabilities was caused by gifts terminated from the annuity pool. With regard to the minimum required fund balance and total annuity fund balance, these balances were subject to investment market fluctuations which were maintained at a level to ensure coverage of liabilities and additional gifts, gifts being closed out, and payments to annuitants. Annuities in force increased from 46, with annual payment amounts of \$149,129 as of December 31, 2012, to 48, with annual payment amounts of \$145,020 as of December 31, 2017.

The Fund's admitted assets, as of December 31, 2017, were invested mainly in common stocks (76.88%). 23.12% of admitted assets were held in a cash money market account.

Section 1409(a) of the New York Insurance Law states,

“(a) Except as more specifically provided in this chapter, no domestic insurer shall have more than ten percent of its admitted assets as shown by its last statement on file with the superintendent invested in, or loaned upon, the securities (including for this purpose certificates of deposit, partnership interests and other equity interests) of any one institution.”

According to the 2017 annual statement, the Fund reported: 19.60% of its admitted assets invested in the Russell 1000 Non-Lend CTF, 15.68% of its admitted assets invested in the US Total Mkt Index Sec Lending, 15.49% of its admitted assets invested in the EAFE Index CTF, and 10.62% of its admitted assets invested in the Passive Bond Mkt SL CTF. The Fund's current concentration in these funds could make it less likely that the Fund's other assets can provide a variability to offset the risks inherent in these funds.

Based upon the concentrations in the above funds, the examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters. A trustee using reasonable care, skill and caution should diversify the Fund's assets. A diversification is proper when it disperses the investments' risks consistent with the Investment Strategy Statement's risk, return, and time horizon objectives, and the various risks in the portfolio offset each other. Section 1409 of the New York Insurance Law is instructive. Limiting exposure to any assets of any one institution to ten percent of admitted assets would reasonably assure that the risks in the investment in that institution are offset by the rest of the portfolio.

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's review a sample of annuity contract terminated during the examination period. The examiner's review revealed that in 1 out of 1 case (100%) reviewed, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract.

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.

6. 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 citation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.</p> <p>The Fund failed to take corrective action. A similar recommendation appears in this report on examination.</p>

7. 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 board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	4
B	The examiner recommends that the Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.	6
C	The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.	7

Respectfully submitted,

_____/s/
Hughroy Mighty
Insurance Examiner

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

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

_____/s/
Hughroy Mighty

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31746

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, 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:

HUGHROY MIGHTY

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
SARAH LAWRENCE COLLEGE**

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 13th day of April, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

