



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
SYRACUSE UNIVERSITY**

AS OF December 31, 2020

EXAMINER: Manish Gera

DATE OF REPORT: December 22, 2021

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

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MANISH GERA

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

December 9, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32231, dated April 06, 2021 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Syracuse University. The Fund's home office is located at Treasurer's Office, 621 Skytop Road, Syracuse, New York 13244.

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

1. EXECUTIVE SUMMARY

The examiner recommends that the Investment Policy Statement be approved by the board of trustees. (See Item 4A of this report)

The examiner recommends that the Fund adopt an Investment Policy Statement that refers to the prudent investor standard as defined in Estates, Powers and Trusts Law § 11-2.3, which standard, as specified in New York Insurance Law § 1110(b), governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives. (See Item 4A 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 6 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 Syracuse University Segregated Gift Annuity Fund (the "Fund") through which Syracuse University (the "University") provides annuity benefits.

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the University 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 prior examination was conducted as of December 31, 2015. This examination covers the period from January 1, 2016 through December 31, 2020. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2020 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, 2020 to determine whether the Fund's filed 2020 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 7 of this report.

3. DESCRIPTION OF FUND

A. History

The Syracuse University is organized for the purpose of recognizing itself as a student-focused global research university renowned for academic rigor, richly diverse learning experiences, and a spirit of discovery. The University established the Fund to issue gift annuity agreements in return for gifts from donors in 1927. The Superintendent of Insurance granted to the University a Charitable Annuity Society special permit on December 3, 1947.

B. Structure

The management of the University and the Fund and all of its affairs and property are entrusted to a board of trustees. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund itself.

C. Assets under the Board of Trustees

As of the June 30, 2020 audited financial statement, the University's Board of Trustees oversaw an endowment consisting of 2,400 individual funds comprising \$1,398,054,000 in total assets. The Fund, as of December 31, 2020, held total admitted assets of \$8,302,312.

D. Third-Party Payment Service Provider

State Street Bank and Trust Company of Boston, Massachusetts ("State Street") is the investment manager and custodian of the Fund's assets. State Street also: calculates and tracks gift annuity remainder values; distributes periodic payments to income beneficiaries; prepares and distributes annual IRS Forms 1099-R; and assists the Fund in completing its New York State filing.

4. INVESTMENT REVIEW

A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to “pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio.”

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt “an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.” New York Not-for-Profit Corporation Law § 552(f) provides that each “institution shall adopt a written investment policy setting forth guidelines on investments ... and delegation of management and investment functions in accord with the standards of this article.”

Interrogatory 18 in the Fund’s filed 2020 annual statement states the following:

“Has the board or other governing body of the segregated gift annuity fund adopted an Investment Strategy Statement specifying guidelines for the investment of the fund’s assets?”

The examiner’s review of the Fund’s filed 2020 annual statement showed that the Fund answered “yes” to interrogatory 18. The examiner’s review of the Fund’s Investment Policy Statement (“ISS”) revealed that the board did not approve the IPS. Therefore, the Fund failed to answer interrogatory 18 in the 2020 annual statement correctly.

The examiner recommends that the Investment Policy Statement be approved by the board of trustees.

The examiner’s review of the Fund’s Investment Policy Statement (“IPS”) showed that it failed to contain reference to the prudent investor standard, as specified in New York Insurance Law § 1110(b).

The examiner recommends that the Fund adopt an Investment Policy Statement that refers to the prudent investor standard as defined in Estates, Powers and Trusts Law § 11-2.3, which standard, as specified in New York Insurance Law § 1110(b), governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management

decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.

5. ASSETS & LIABILITIES SUMMARY

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>2015</u>	<u>December 31,</u> <u>2020</u>	<u>Increase</u>
Admitted assets	<u>\$8,788,058</u>	<u>\$8,302,312</u>	<u>\$(485,746)</u>
Liabilities	<u>\$5,862,536</u>	<u>\$4,999,263</u>	<u>\$(863,273)</u>
Minimum required fund balance	\$ 586,254	\$ 499,926	\$ (86,328)
Excess fund balance (surplus)	<u>2,339,268</u>	<u>2,803,123</u>	<u>463,855</u>
Total annuity fund balance	<u>\$2,925,522</u>	<u>\$3,303,049</u>	<u>\$ 377,527</u>
Total liabilities and annuity fund balance	<u>\$8,788,058</u>	<u>\$8,302,312</u>	<u>\$(485,746)</u>

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 214 with annual payment amounts of \$830,374 as of December 31, 2015 to a total of 176 with annual payment amounts of \$697,458 as of December 31, 2020. The annuity fund balance increased due to the gains of the market as well as due to additional excesses that have been generated through overall investment performance.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (97.65%).

6. 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.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the 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 examiner recommends that the Fund diversify its investment holdings. The Department no longer provides specific guidance for diversification.

8. 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 Investment Policy Statement be approved by the board of trustees.	5
B	The examiner recommends that the Fund adopt an Investment Policy Statement that refers to the prudent investor standard as defined in Estates, Powers and Trusts Law § 11-2.3, which standard, as specified in New York Insurance Law § 1110(b), governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.	5

Respectfully submitted,

/s/

Manish Gera
Insurance Examiner

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

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

/s/

Manish Gera

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32231

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:

MANISH GERA

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
SYRACUSE 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 6th day of April, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



***MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU***

