



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
VASSAR COLLEGE**

**AS OF December 31, 2019**

**EXAMINER: Adelia Gbadamosi**

**DATE OF REPORT: September 11, 2020**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

VASSAR COLLEGE

AS OF

DECEMBER 31, 2019

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ADELIA GBADAMOSI

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

September 30, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32121, dated August 6, 2020 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Vassar College. The Fund's home office is located at 124 Raymond Avenue, Poughkeepsie, New York 12604.

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

## 1. EXECUTIVE SUMMARY

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A of this report)

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, 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 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, 2019 filed annual statement. (See item 5 of this report)

The examiner recommends that the Fund ensure that all gift annuity agreement forms used to issue gift annuities have the appropriate form number as approved by the Superintendent printed on them. (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 Vassar College Segregated Annuity Fund (the "Fund") through which Vassar College (the "College") 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 recommendations 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

Vassar College was chartered in 1861 and is organized for the purpose of: developing a well-qualified, diverse student body; educating students, both broadly and deeply, in the liberal disciplines; and stimulating integrative thinking. The College established the Fund to issue gift annuity agreements in return for gifts from donors in 1904. The Superintendent of Insurance granted to the College a Charitable Annuity Society special permit on May 9, 1940.

#### B. Structure

The management of the College and the Fund and all of its affairs and property are entrusted to a board of trustees. The Fund solicits new gifts from potential annuitants and maintains the individual annuity files.

#### C. Assets under the Board of Trustees

As of the June 30, 2019 audited financial statement, the College's Board of Trustees oversaw an endowment consisting of 1,000 individual funds comprising \$1,117,379,506 in total assets. The Fund, as of December 31, 2019, held total admitted assets of \$14,030,782.

#### D. Third-Party Payment Service Provider

TIAA-CREF Trust Company FSB ("TIAA-CREF") is the custodian of the Fund's assets and legal reserve assets for annuity programs in New York, California, and Florida. TIAA-CREF sub-contracts with Charles Schwab & Company, Inc. ("Charles Schwab") to serve as the sub-custodian of the Fund's assets. Kaspick & Company, LLC ("Kaspick") is the Fund's investment manager. Services provided by Kaspick include: the issuance of payments to annuitants; completing all required annual tax forms; maintaining financial and accounting data at the annuity contract level; and reporting contract and financial data to the College's controller for inclusion in the College's accounting reports. Kaspick also prepares the annual statements that are required to be filed with the Department.

#### 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.”

Kaspick is the Fund’s investment adviser and custodian.

Kaspick prepared and provided a form investment policy statement (“IPS”) to the Fund. The Fund adopted that form as its IPS.

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

The examiner’s review of the Fund’s Investment Strategy Statement showed that it does not contain reference to the prudent investor standard, as specified in Section 1110(b) of the New York Insurance Law.

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, 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 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>14,479,358</u>	\$ <u>14,030,782</u>	\$( <u>448,576</u> )
Liabilities	\$ <u>7,905,225</u>	\$ <u>7,626,059</u>	\$( <u>279,166</u> )
Minimum required fund balance	\$ 790,523	\$ 762,606	\$ (27,919)
Excess fund balance (surplus)	<u>5,783,610</u>	<u>5,642,117</u>	<u>(141,493)</u>
Total annuity fund balance	\$ <u>6,574,133</u>	\$ <u>6,404,723</u>	\$( <u>169,410</u> )
Total liabilities and annuity fund balance	\$ <u>14,479,358</u>	\$ <u>14,030,782</u>	\$( <u>448,576</u> )

The decrease in assets, liabilities and annuity fund balance reflects the ratio of new contracts to terminating contracts. Annuities decreased from 365 with annual payment amounts of \$932,097 as of December 31, 2014 to a total of 311 with annual payment amounts of \$864,079 as of December 31, 2019. The increase in contracts terminated had a significant impact on the remaining market value of the Fund as well as on annuity fund balance.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in equity securities (97.04%).

## 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.

The examiner reviewed a sample of seven new gift annuities issued by the Fund during the examination period. The Fund used forms 1da-I-NY; 1da-D-NY; 1L2D-da-D-NY and 2Sda-I-NY, but without the prefix VASSAR as was approved by the Superintendent.

The examiner recommends that the Fund ensure that all gift annuity agreement forms used to issue gift annuities have the appropriate form number as approved by the Superintendent printed on them.

## 7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the 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 examiner recommends that the Fund obtain copies of annuitant death certificates to confirm contract termination.</p> <p>The Fund obtained copies of annuitant death certificates to confirm contract termination as well as other appropriate supporting documentation.</p>
B	<p>The examiner recommends that the Fund ensure that its securities are ultimately held with a licensed bank or trust company.</p> <p>The Fund's securities are held with a licensed trust company.</p>

## 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 Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	5
B	The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, 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
C	The examiner recommends that the Fund ensure that all gift annuity agreement forms used to issue gift annuities have the appropriate form number as approved by the Superintendent printed on them.	8



***APPOINTMENT NO. 32121***

***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:*

***ADELIA GBADAMOSI***

*as a proper person to examine the affairs of the*

***SEGREGATED GIFT ANNUITY FUND OF THE  
VASSAR 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 6th day of August, 2020*

*LINDA A. LACEWELL  
Superintendent of Financial Services*

*By:*



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

