



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
CORTLAND COLLEGE FOUNDATION, INC.**

**AS OF December 31, 2021**

**EXAMINER: Hasan Ahmed**

**DATE OF REPORT: July 20, 2023**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

CORTLAND COLLEGE FOUNDATION, INC.

AS OF

DECEMBER 31, 2021

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EXAMINER:

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## TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Fund	4
	A. History	4
	B. Structure	4
	C. Assets under the board of directors	4
	D. Third party payment service provider	4
4.	Assets and liabilities summary	5
5.	Treatment of annuitants	6
6.	Prior report summary and conclusions	7
7.	Summary and conclusions	9

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

August 31, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32372, dated November 23rd, 2022, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Cortland College Foundation, Inc. The Fund's home office is located at 65 Main Street, Cortland, New York 13045.

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, 2021 filed annual statement. (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

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' (the "Department") examination and assessment of the Cortland College Foundation (the "Fund") through which Cortland College Foundation (the "Foundation") provides annuity benefits.

The prior examination was conducted as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2021 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, 2021 to determine whether the Fund's filed 2021 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 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

The Cortland College Foundation, Inc. was chartered in 1948 for the purpose of soliciting and receiving contributions and pledges on behalf of the State University of New York at Cortland. The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 2004. The Superintendent of Insurance granted to the Organization a Charitable Annuity Society special permit on March 27, 2012.

#### B. Structure

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

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

As of the June 30, 2021 audited financial statement, the Organization's Board of Directors oversaw an endowment consisting of 315 individual funds comprising \$53,410,980 in total assets. The Fund, as of December 31, 2021, held total admitted assets of \$1,235,990.

#### D. Third Party Payment Service Provider

Glenmede Trust Company is the Fund's custodian and investment manager. The Fund has a service agreement with the PG Calc for certain accounting/administrative related services. Those services include the preparation of annual reports, distributions of quarterly annuity payments, and valuation of annuities upon the death of annuitants.

4. ASSETS AND LIABILITIES SUMMARY

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

	December 31, <u>2016</u>	December 31, <u>2021</u>	<u>Increase</u>
Admitted assets	<u>\$1,077,593</u>	<u>\$1,235,990</u>	<u>\$158,397</u>
Liabilities	<u>\$ 683,231</u>	<u>\$ 709,736</u>	<u>\$ 26,505</u>
Minimum required fund balance	\$ 68,323	\$ 70,974	\$ 2,651
Excess fund balance (surplus)	<u>326,039</u>	<u>455,280</u>	<u>129,241</u>
Total annuity fund balance	<u>\$ 394,362</u>	<u>\$ 526,254</u>	<u>\$131,892</u>
Total liabilities and annuity fund balance	<u>\$1,077,593</u>	<u>\$1,235,990</u>	<u>\$158,397</u>

The increase in assets, liabilities, and annuity fund balance is due to the issuance of 4 new gift annuities with gift amounts received totaling \$410,000 and reserves of \$217,307 as of December 31, 2021.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in equity securities (96.23%).



## 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 of the only annuity contract terminated revealed that 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 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 board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.</p> <p>The Department no longer provides guidance on approval of the purchases and sales of investments by the board of trustees or a committee. However, the board of trustees did review the Fund's investment portfolio at least annually.</p>
B	<p>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</p> <p>The Department no longer provides guidance on the diversification of investment holdings.</p>
C	<p>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.</p> <p>The Fund adopted 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.</p>

<u>Item</u>	<u>Description</u>
D	<p>The examiner recommends that the Fund avoid or mitigate situations that have the appearance of a conflict of interest, by paying greater scrutiny to any high concentrations in investments that are either issued or sponsored by the investment advisor and establishing a Board of Directors (or a committee thereof) or senior management-level policy or procedures related to conflicts of interest for investment advisors.</p> <p>The Department no longer offers specific guidance for diversification in terms of conflicts of interest.</p>
E	<p>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.</p> <p>The Fund failed to obtain and maintain a death certificate or other reliable documentary evidence that support such information terminating an annuity contract. A similar recommendation appears in this report on examination.</p>
F	<p>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.</p> <p>No new discrepancies were found during the examiner's review.</p>
G	<p>The examiner recommends that the Fund prepare and maintain books and records, including a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements.</p> <p>The Fund prepares and maintains books and records, including a trial balance, general ledger, and transaction registers that reconciles to its filed annual statements.</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 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

Respectfully submitted,

\_\_\_\_\_/s/  
Hasan Ahmed  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Hasan Ahmed

Subscribed and sworn to before me  
this \_\_\_\_\_ day of \_\_\_\_\_

*APPOINTMENT NO. 32372*

*NEW YORK STATE*

***DEPARTMENT OF FINANCIAL SERVICES***

*I, ADRIENNE A. HARRIS, 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:*

***HASAN AHMED***

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

***SEGREGATED GIFT ANNUITY FUND OF THE  
CORTLAND COLLEGE FOUNDATION, INC.***

*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 23rd day of November, 2022*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*



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

