



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
SARAH LAWRENCE COLLEGE**

**AS OF December 31, 2022**

**EXAMINER: Manish Gera**

**DATE OF REPORT: April 24, 2024**

## 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 trustees | 4               |
|             | D. Third-Party service providers      | 4               |
| 4.          | Investment review                     | 5               |
|             | A. Investment policy statement        | 5               |
|             | B. Monitoring                         | 5               |
| 5.          | Assets and liabilities summary        | 7               |
| 6.          | Treatment of annuitants               | 8               |
| 7.          | Annual statement reporting            | 9               |
| 8.          | Prior report summary and conclusions  | 10              |
| 9.          | Summary and conclusions               | 11              |



---

KATHY HOCHUL  
Governor

---

ADRIENNE A. HARRIS  
Superintendent

May 13, 2024

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

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32522, dated October 6, 2023 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Sarah Lawrence College. The Fund's home office is located at 1 Mead Way, Bronxville, NY 10708.

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 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's board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes. (See item 4B of this report)

The examiner recommends that the board of trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes. (See item 4B of this report)

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued. (See item 6 of this report)

The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements. (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' examination and assessment of the Sarah Lawrence College Segregated Gift Annuity Fund (the "Fund") through which Sarah Lawrence College (the "College") provides annuity benefits.

The prior examination was conducted as of December 31, 2017. This examination covers the period from January 1, 2018 through December 31, 2022. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2022 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 Foundation 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, 2022 to determine whether the Fund's filed 2022 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

Sarah Lawrence College was chartered in 1926 and is organized as a four-year liberal arts college whose purpose is to educate its students to graduate world citizens who are diverse in every definition of the word, who take intellectual and creative risks, who cross disciplinary boundaries, and who are able to sustain exceptional academic discipline within a framework of humanistic values and concern for community. The College established the Fund to issue gift annuity agreements in return for gifts from donors in 1997. The Superintendent of Insurance granted to the College a Charitable Annuity Society special permit on January 17, 2008.

#### B. Structure

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

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

As of the May 31, 2022 audited financial statement, the College's Board of Trustees oversaw an endowment consisting of 270 individual funds comprising \$140,514,473 in total assets. The Fund, as of December 31, 2022, held total admitted assets of \$1,946,872.

#### D. Third-party Service Providers

State Street Global Advisors is the custodian and investment manager of the Fund's assets.

#### 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.”

The examiner’s review of the Fund’s Investment Policy Statement (“IPS”) revealed that the board did not approve the IPS.

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

The College prepared and provided an investment policy statement (“IPS”) for 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 delegates to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

##### B. Monitoring

The Fund failed to provide copies of the meetings of the board of trustees and all committees thereof pertaining to the Fund. The Fund provided the examiner with a copy of the board minutes for the board meetings conducted in 2021 only.

The examiner recommends that the Fund’s board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.

The examiner reviewed the board of trustees minutes to determine if the board had been provided with a report concerning the Fund’s investment of required admitted assets. The minutes

did not contain any indication that the board was provided with a report concerning the Fund's investment of required admitted assets.

The examiner recommends that the board of trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.



## 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><br><u>2017</u> | <u>December 31,</u><br><u>2022</u> | <u>Increase</u><br><u>(Decrease)</u> |
|--|------------------------------------|------------------------------------|--------------------------------------|
| Admitted assets                            | <u>\$2,123,656</u>                 | <u>\$1,946,872</u>                 | <u>\$(176,784)</u>                   |
| Liabilities                                | <u>\$1,501,564</u>                 | <u>\$1,259,988</u>                 | <u>\$(241,576)</u>                   |
| Minimum required fund balance              | \$ 150,156                         | \$ 125,999                         | \$ (24,157)                          |
| Excess fund balance (surplus)              | <u>471,935</u>                     | <u>560,885</u>                     | <u>88,950</u>                        |
| Total annuity fund balance                 | <u>\$ 622,092</u>                  | <u>\$ 686,884</u>                  | <u>\$ 64,792</u>                     |
| Total liabilities and annuity fund balance | <u>\$2,123,656</u>                 | <u>\$1,946,872</u>                 | <u>\$(176,784)</u>                   |

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 48 with annual payment amounts of \$145,020 as of December 31, 2017 to a total of 41 with annual payment amounts of \$139,116 as of December 31, 2022. The increase in annuity fund balance was due to the increase in the market performance of the underlying assets that the Fund is invested in.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (73.04%) and in money market mutual funds (26.87%).

## 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 new gift annuities issued by the Fund during the examination period. In the sample selected, the examiner noted that 2 out of the 2 newly issued gift annuities reviewed had contracts which did not have the appropriate form number as approved by the Superintendent printed on the forms.

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.

## 7. ANNUAL STATEMENT REPORTING

The examiner requested a copy of the Fund's trial balance, general ledger, and transaction registers for the Fund's 2022 annual statement. The Fund was unable to produce a copy of the Fund's trial balance, general ledger, and transaction registers for the 2022 annual statement or for any annual statements filed during the period under examination.

The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements.

## 8. 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 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 in response to this prior report recommendation. A similar recommendation appears in this report on examination.</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 specific guidance for diversification.</p> |
| C           | <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 has complied with the recommendation.</p>   |

## 9. 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 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                  |
| C           | The examiner recommends that the Fund's board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.   | 5                  |
| D           | The examiner recommends that the board of trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.   | 6                  |
| E           | The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.   | 8                  |
| F           | The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements.   | 9                  |

Respectfully submitted,

/s/

Manish Gera  
Senior 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. 32522*

*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:*

**MANISH GERA**

*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 6th day of October, 2023*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*



---

**MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU**

