



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

AS OF December 31, 2022

EXAMINER: Manish Gera

DATE OF REPORT: June 5, 2024

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

July 17, 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. 32509, 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 Houghton University. The Fund's home office is located at One Willard Avenue, Houghton, New York 14744.

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, 2022 filed annual statement. (See item 4 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 5 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 Houghton University Segregated Gift Annuity Fund (the "Fund") through which Houghton University (the "University") 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 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 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 7 of this report.

3. DESCRIPTION OF FUND

A. History

Houghton University was chartered in 1923 and is organized for the purpose of providing an academically challenging Christ-centered education in the liberal arts and sciences to students from diverse traditions and economic backgrounds. It equips them to lead and labor as scholar-servants in a changing world. The University established the Fund to issue gift annuity agreements in return for gifts from donors in 1971. In 2022, the New York State Board of Regents granted an amendment to the charter to change the name to Houghton University. The Superintendent of Insurance granted the University a Charitable Annuity Society special permit on August 19, 1977.

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 and maintenance of annuity agreements are handled by the Fund. The Fund also handles the final preparation and submission of its annual statement.

C. Assets under the Board of Trustees

As of the May 31, 2022 IRS Form 990, the University's Board of Trustees oversaw endowment funds comprising \$69,865,077 in total assets. The Fund, as of December 31, 2022, held total admitted assets of \$1,395,086.

D. Third-party Service Providers

Key Bank National Association ("Key Bank") is the custodian and investment manager of the Fund's assets. Key Bank prepares investments, payments to beneficiaries, tax reporting, and actuarial calculations. The Olbricht Kiley Group, LLC performs preliminary preparation of the annual statement.

4. ASSETS & 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>2017</u>	<u>December 31,</u> <u>2022</u>	<u>(Decrease)</u>
Admitted assets	<u>\$2,107,060</u>	<u>\$1,395,086</u>	<u>\$(711,974)</u>
Liabilities	<u>\$ 892,520</u>	<u>\$ 589,239</u>	<u>\$(303,281)</u>
Minimum required fund balance	\$ 88,252	\$ 58,924	\$ (29,328)
Excess fund balance (surplus)	<u>1,126,288</u>	<u>746,923</u>	<u>(379,365)</u>
Total annuity fund balance	<u>\$1,214,540</u>	<u>\$ 805,847</u>	<u>\$(408,693)</u>
Total liabilities and annuity fund balance	<u>\$2,107,060</u>	<u>\$1,395,086</u>	<u>\$(711,974)</u>

The decrease in assets, liabilities, and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 75 with annualized payments of \$111,672 as of December 31, 2017 to 58 with annual payment amounts of \$82,607 as of December 31, 2022.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (98.71%).

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.

Based upon the sample reviewed, no significant findings were noted.

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 Fund obtain broker's advices or other supporting documentation for its investment transactions and reconcile such advices to the monthly statements provided by the custodian.</p> <p>The Fund has complied with the recommendation.</p>
B	<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 Policy Statement that referred to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law.</p>
C	<p>The examiner recommends that the Fund's investments be further diversified. If the Fund's board of trustees reasonably determines that it is in the interest of the beneficiaries not to diversify, then a proper memorialization of either decision and the supporting rationale, should be prepared when that decision is made.</p> <p>The Department no longer provides specific guidance for diversification.</p>

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. 32509

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
HOUGHTON 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 October, 2023

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:



*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

