



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
VASSAR COLLEGE

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

MAY 31, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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OF THE

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AS OF

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EXAMINER:

HUGHROY MIGHTY

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

August 17, 2016

Honorable Maria T. Vullo
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31328, dated May 14, 2015 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Vassar College, hereinafter referred to as the "Fund." The Fund's home office is located at 124 Raymond Avenue, Poughkeepsie, New York 12604.

Wherever "Department" appears in this report, it refers to the New York State Department of Financial Services.

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 the financial statements contained in its December 31, 2014 filed annual statement. (See item 4 of this report)

The examiner recommends that the Fund obtain copies of annuitant death certificates to confirm contract termination. (See item 5 of this report)

The examiner recommends that the Fund ensure that its securities are ultimately held with a licensed bank or trust company. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2009. This examination covers the period from January 1, 2010 through December 31, 2014. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2014 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, 2014 to determine whether the Fund's filed 2014 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.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations, or rules or which require explanation or description.

3. DESCRIPTION OF FUND

Vassar College (“the College”) is organized for the purposes of: developing a well-qualified, diverse student body; educating students, both broadly and deeply, in the liberal disciplines; and to stimulate integrative thinking. Under the provisions of its by-laws, the College is permitted to issue gift annuity agreements and it has done so since 1904. A special permit was granted to the College by the Department on May 9, 1940, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. The Fund solicits new business from potential annuitants and maintains the individual annuity files.

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 whom also provides administrative services on behalf of the Fund. Services provided by Kaspick include: issuing 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.

The management of the College and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to not fewer than 22 and not more than 35 regular voting trustees, in addition to the President of the College, who shall be a member ex officio. As of December 31, 2014 the number of trustees totaled 36, including the President. The trustees elect the chair, vice-chair, president and secretary of the board of trustees and approve the appointment of other officers as nominated by the president, including the vice-president for finance and administration, the vice-president for development, and the controller. The nomination and election procedures of the trustees and their term of office are set by the by-laws.

4. SIGNIFICANT FINANCIAL INFORMATION

The following table indicates the Fund's financial growth during the period under review:

	December 31, <u>2009</u>	December 31, <u>2014</u>	<u>Increase</u>
Admitted assets	\$ <u>12,559,519</u>	\$ <u>14,479,358</u>	\$ <u>1,919,839</u>
Liabilities	\$ <u>7,898,279*</u>	\$ <u>7,905,225</u>	\$ <u>6,946</u>
Minimum required fund balance	\$ 789,828*	\$ 790,523	\$ 695
Excess fund balance (surplus)	<u>3,871,412*</u>	<u>5,783,610</u>	<u>1,912,198</u>
Total annuity fund balance	\$ <u>4,661,240*</u>	\$ <u>6,574,133</u>	\$ <u>1,912,893</u>
Total liabilities and annuity fund balance	\$ <u>12,559,519</u>	\$ <u>14,479,358</u>	\$ <u>1,919,839</u>

* The figures reported above for liabilities, minimum required fund balance, excess fund balance (surplus) and total annuity fund balance were determined during the prior examination.

The increase in assets reflects the increase in the market value of the annuities pool. Based on the stock market fluctuations during the examination period, the strong markets in 2012 and 2013 resulted in an overall increased value of approximately 9% of the portfolio. The increase in annuity fund balance is attributable to the considerable increase in the market value of the Fund's investments in common stocks coupled with a minimal increase in liabilities.

The slight increase in liabilities is attributable to additional required reserves despite a decrease in annuities in force during the examination period. Annuities decreased from 422 with annual payment amounts of \$1,007,607 as of December 31, 2009 to a total of 386 with annual payment amounts of \$953,184 as of December 31, 2014.

The Fund's admitted assets, as of December 31, 2014, were invested mainly in common stocks (96.87%). All bonds held were investment grade.

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 a sample of nine annuity contract terminations during the examination period revealed that in eight of the nine cases (88.89%) reviewed, the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract. In seven of the eight cases in which the Fund did not obtain a copy of the death certificate, the Fund obtained a copy of the obituary; in the other case, the Fund obtained a copy of the notification of death from the funeral home.

The examiner recommends that the Fund obtain copies of annuitant death certificates to confirm contract termination.

6. CUSTODIAL ACCOUNT

The examiner noted that TIAA-CREF sub-contracts with Charles Schwab to serve as the sub-custodian of the Fund's assets. The examiner determined that Charles Schwab is not a licensed bank or trust company.

The examiner recommends that the Fund ensure that its securities are ultimately held with a licensed bank or trust company.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and 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 prepare its annual statements in accordance with the Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement.</p> <p>The examiner noted no instances in which the Fund failed to prepare the 2014 Annual Statement in accordance with the Department's instructions.</p>
B	<p>The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain statements signed by its board members indicating that they received and read the prior report on examination. This is a repeat violation.</p> <p>The Fund obtained and maintained statements signed by its board members indicating that they received and read the prior report on examination.</p>
C	<p>The examiner recommends that the Fund exercise due care in its preparation of its filed annual statements.</p> <p>The examiner's review of the 2014 Annual Statement revealed no recurrence of the errors noted during the prior examination.</p>

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Fund obtain copies of annuitant death certificates to confirm contract termination.	6
B	The examiner recommends that the Fund ensure that its securities are ultimately held with a licensed bank or trust company.	7

Respectfully submitted,

_____/s/
Hughroy Mighty
Insurance Examiner

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

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

_____/s/
Hughroy Mighty

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31328

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, BENJAMIN M. LAWSKY, 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:

HUGHROY MIGHTY

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 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 14th day of May, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU

