



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
UNITED STATES FUND FOR UNICEF

CONDITION:

DECEMBER 31, 2015

DATE OF REPORT:

JULY 19, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

DONNA TAYLOR

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

September 21, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31470, dated June 22, 2016 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the United States Fund for UNICEF, hereinafter referred to as the “Fund,” at its home office located at 125 Maiden Lane, New York, NY 10038

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

It was noted during the review of the Fund's investments as of December 31, 2015 that the Fund invests over 10% of its admitted assets in hedge funds. (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)

The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2010. This examination covers the period from January 1, 2011 through December 31, 2015. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2015 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, 2015 to determine whether the Fund's filed 2015 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification. The examiner reviewed the prior report on examination which did not contain any violations, recommendations or comments.

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

The United States Fund for UNICEF (the “Organization”) is organized exclusively for charitable and educational purposes, particularly to: inform the American people of the needs of children in developing countries; create an awareness of the diversity of human cultures, of the commonality of human needs and interests and of the responsibility to share in the world’s resources and benefits; solicit and receive funds; participate in coordinating, planning with voluntary agencies engaged in child relief; and improve the well-being of children in the world. Under the provisions of its by-laws, the Fund is permitted to issue gift annuity agreements and it has done so since 1992. A special permit was granted to the organization by the Department on September 11, 2002, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

Goldman Sachs is the Fund’s custodian and investment manager.

The management of the organization and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to 50 regular voting directors. As of December 31, 2015, the board consisted of 22 directors. The directors elect a Chairman, one or more Vice Chairman, the Immediate Past Chair, a President, a Secretary and a Treasurer. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2015</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$5,754,436</u>	<u>\$7,268,943</u>	<u>\$1,514,507</u>
Liabilities	<u>\$4,626,038</u>	<u>\$4,228,112</u>	<u>\$ (397,926)</u>
Minimum required fund balance	\$ 462,604	\$ 422,811	\$ (39,793)
Excess fund balance (surplus)	<u>665,794</u>	<u>2,618,020</u>	<u>1,952,226</u>
Total annuity fund balance	<u>\$1,128,398</u>	<u>\$3,040,831</u>	<u>\$1,912,433</u>
Total liabilities and annuity fund balance	<u>\$5,754,436</u>	<u>\$7,268,943</u>	<u>\$1,514,507</u>

The increase in assets and annuity fund balance reflects the better market conditions since 2010 and the resulting increase in value of the Fund's investments.

The decrease in liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 299 with annual payment amounts of \$556,087 as of December 31, 2010 to a total of 260 with annual payment amounts of \$500,630 as of December 31, 2015.

It was noted during the review of the Fund's investments as of December 31, 2015 that the Fund invests over 10% of its admitted assets in hedge funds.

The Fund's admitted assets, as of December 31, 2015, were invested mainly in bonds (42.90%), common stocks (32.14%) and other invested assets (17.63%). 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. Based upon the sample reviewed, no significant findings were noted.

## 6. CUSTODIAN

Goldman Sachs provides investment management and custodianship for the Fund. The examiner determined that Goldman Sachs is a registered broker-dealer and not a licensed bank or trust company.

The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities.

## 7. SUMMARY AND CONCLUSION

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities.	5

Respectfully submitted,

\_\_\_\_\_/s/  
Donna Taylor  
Insurance Examiner

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

DONNA TAYLOR, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

\_\_\_\_\_/s/  
Donna Taylor

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

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

*I, MARIA T. VULLO, 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:*

**DONNA TAYLOR**

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

**SEGREGATED GIFT ANNUITY FUND OF THE  
UNITED STATES FUND FOR UNICEF**

*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 22nd day of June, 2016*

**MARIA T. VULLO**  
*Superintendent of Financial Services*

By:

*Mark McLeod*

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

