



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
GUIDEPOSTS A CHURCH CORPORATION

CONDITION:

DECEMBER 31, 2013

DATE OF REPORT:

DECEMBER 31, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

ANN MARIE THOMPSON

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

June 9, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31152, dated April 9, 2014 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Guideposts A Church Corporation, hereinafter referred to as “the Fund.” The Fund’s home office is located at 39 Old Ridgebury Road, Danbury, CT 06810.

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 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. (See item 4 of this report)

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. (See item 4 of this report)

The examiner recommends that the Fund diversify its investment holdings. (See item 5 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 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2008. This examination covers the period from January 1, 2009 through December 31, 2013. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2013 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, 2013 to determine whether the Fund's filed 2013 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 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

Guideposts a Church Corporation (“Guideposts”) is a not-for-profit corporation organized for the purpose of: communicating positive spiritual values based on Judeo-Christian principles; teaching and advancing Christianity; and founding and continuing a denominational church or churches in Dutchess County, New York. Effective July 1, 1995, Guideposts was issued a permit pursuant to Section 1110 of the New York Insurance Law, following the merger of two charitable annuity societies: Guideposts Associates, Inc. (incorporated November 17, 1944) and Peale Center for Christian Living A Church Corporation (incorporated November 20, 1974). The latter is the surviving entity. Guideposts’ present name was adopted in June 1997. Operations related to the issuance of annuity agreements are handled by the Fund. Maintenance and settlement of annuity agreements are handled by Merrill Lynch Trust Company (“Merrill Lynch”). Merrill Lynch is the Fund’s custodian and investment manager. The Fund maintains a checking account with Wells Fargo, N.A. (previously known as Wachovia, N.A.).

The management of Guideposts and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to no fewer than 7 and no more than 15 regular voting trustees. The trustees elect a president and chief executive officer, one or more vice presidents and a secretary. The nomination and election procedures of the trustees and their terms of office are set by the by-laws. As of December 31, 2013, the board consisted of eight trustees.

4. CORPORATE GOVERNANCE

The examiner reviewed the Investment Committee minutes to determine if the Investment Committee approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the committee approved the purchases and sales of investments during the examination period.

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.

The examiner reviewed the investment transactions for the period under examination and noted that the Fund did not obtain broker's advices or other supporting documentation for its investment transactions to reconcile such advices to the monthly statements furnished by the custodian.

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.

5. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2008</u>	<u>December 31,</u> <u>2013</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>4,614,694</u>	\$ <u>5,443,423</u>	\$ <u>828,729</u>
Liabilities	\$ <u>4,866,918</u>	\$ <u>3,491,344</u>	\$ <u>(1,375,574)</u>
Minimum required fund balance	\$ 486,692	\$ 349,134	\$ (137,558)
Excess fund balance (surplus)	<u>(738,916)</u>	<u>1,602,945</u>	<u>2,341,861</u>
Total annuity fund balance	\$ <u>(252,224)</u>	\$ <u>1,952,079</u>	\$ <u>2,204,303</u>
Total liabilities and annuity fund balance	\$ <u>4,614,694</u>	\$ <u>5,443,423</u>	\$ <u>828,729</u>

The increase in assets and annuity fund balance reflects an increase in the market value of investments in common stocks.

The decrease in liabilities reflects a decrease in annuities in force. Annuities decreased from 921 with annual payment amounts of \$761,313 as of December 31, 2008 to a total of 738 with annual payment amounts of \$464,059 as of December 31, 2013.

The Fund's admitted assets, as of December 31, 2013, were invested in common stocks (97.07%).

Section 1409(a) of the New York Insurance Law states,

“(a) Except as more specifically provided in this chapter, no domestic insurer shall have more than ten percent of its admitted assets as shown by its last statement on file with the superintendent invested in, or loaned upon, the securities (including for this purpose certificates of deposit, partnership interests and other equity interests) of any one institution.”

According to the 2013 annual statement on file, the Fund reported: 12.75% invested in the shares of iShares Core S&P 500 exchange traded fund (“ETF”). The Fund's current

concentration in this ETF makes it highly unlikely that the Fund's other assets could provide a variability to offset the risks inherent in this ETF.

The examiner recommends that the Fund diversify its investment holdings. A trustee using reasonable care, skill and caution should diversify the Fund's assets. A diversification is proper when it disperses the investments' risks consistent with the Investment Strategy Statement's ("ISS") risk, return, and time horizon objectives, and the various risks in the portfolio offset each other. Section 1409 of the New York Insurance Law is instructive. Limiting exposure to any assets of any one institution to ten percent of admitted assets would reasonably assure that the risks in the investment in that institution are offset by the rest of the portfolio. 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.

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

7. 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 recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund maintain adequate surplus to support its gift annuity program.</p> <p>The Fund maintains adequate annuity fund balance to support its gift annuity program.</p>
B	<p>The examiner recommends that the Fund maintain a distinct general ledger, trial balance, and transaction register.</p> <p>In response to examination correspondence, the Fund stated that it does not maintain a separate general ledger as it would be cost prohibitive. However, all accounting transactions related to the Fund are segregated into specific accounts and the transaction registers are reviewed and utilized to complete the annual statement filings.</p>

8. 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 board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5
B	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.	5
C	The examiner recommends that the Fund diversify its investment holdings.	7

Respectfully submitted,

_____/s/
Ann Marie Thompson
Insurance Examiner

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

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

_____/s/
Ann Marie Thompson

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31152

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:

ANN MARIE THOMPSON

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
GUIDEPOSTS A CHURCH CORPORATION**

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 9th day of April, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:


MICHAEL MAFFEI

ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

