

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
NEW YORK PROVINCE OF THE SOCIETY OF JESUS

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

FEBRUARY 1, 2016

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

NEW YORK PROVINCE OF THE SOCIETY OF JESUS

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EXAMINER:

ASHOK REDDY

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

June 17, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31419, dated January 25, 2016 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the New York Province of the Society of Jesus, hereinafter referred to as the "Fund," at its home office located at 39 East 83<sup>rd</sup> Street, New York, New York 10028.

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 Fund's board of directors review the activities of the Fund at least annually and note the same in the minutes. This is a repeat recommendation. (See item 4 of this report)

The examiner recommends that the Fund's board of directors approve the purchases and sales of the Fund's investments and review to ensure that Wells Fargo conducts investment transactions on behalf of the Fund in accordance with the agreed upon investment guideline. This is a repeat recommendation. (See item 4 of this report)

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, 2014 filed annual statement. (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, 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 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

The New York Province of the Society of Jesus (the “Society”) is organized: for the purpose of conducting religious, educational, and missionary work and to hold and maintain land and buildings for chapels and houses for religious, classical and scientific training, and education.

Under the provisions of its by-laws, the Society is permitted to issue gift annuity agreements and it has done so since 1967. A special permit was granted to the Society by the Department on January 2, 1979, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

The Fund prepares the annual statements and accounting records, solicits annuities from prospective annuitants, and maintains contract files. The Fund contracted with Wachovia, North America (now Wells Fargo), a banking corporation, on January 27, 2006 under an investment management and administrative services agreement. Under the administrative services agreement, Wells Fargo: prepares annuity contracts for the Fund; remits benefit payments to annuitants; and provides monthly statements to the Fund.

The management of the Society and the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to seven regular voting members. As of December 31, 2014, the board of directors consisted of six directors. The directors elect a president, vice president, secretary, and treasurer. The nomination and election procedures of the directors and their terms of office are set by the by-laws.

#### 4. CORPORATE GOVERNANCE

The examiner requested a copy of the Fund's minutes of the board of directors meetings for the examination period, January 1, 2010 through December 31, 2014. The Fund failed to provide the examiner with any of the requested minutes.

The examiner recommends that the Fund's board of directors review the activities of the Fund at least annually and note the same in the minutes. This is a repeat recommendation.

The Fund maintains an investment management agreement with Wells Fargo authorizing it to conduct purchases and sales of the Fund's investments according to an agreed upon investment guideline. As noted above, the Fund failed to provide any board minutes. The examiner was therefore unable to determine whether the board performs reviews to ensure that all investment transactions performed by Wells Fargo comply with its investment guideline.

The examiner recommends that the Fund's board of directors approve the purchases and sales of the Fund's investments and review to ensure that Wells Fargo conducts investment transactions on behalf of the Fund in accordance with the agreed upon investment guideline. This is a repeat recommendation.



## 5. SIGNIFICANT FINANCIAL INFORMATION

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

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$4,044,507</u>	<u>\$3,799,867</u>	<u>\$(244,640)</u>
Liabilities	<u>\$2,850,992</u>	<u>\$2,168,102</u>	<u>\$(682,890)</u>
Minimum required fund balance	\$ 285,099	\$ 216,810	\$ (68,289)
Excess fund balance (surplus)	<u>908,416</u>	<u>1,414,955</u>	<u>506,539</u>
Total annuity fund balance	<u>\$1,193,515</u>	<u>\$1,631,765</u>	<u>\$ 438,250</u>
Total liabilities and annuity fund balance	<u>\$4,044,507</u>	<u>\$3,799,867</u>	<u>\$(244,640)</u>

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 160 with annual payment amounts of \$353,239 as of December 31, 2009 to a total of 108 with annual payment amounts of \$257,982 as of December 31, 2014.

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

The Fund's admitted assets, as of December 31, 2014, were invested mainly in common stocks (98.58%).

## 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 prepare and maintain a trial balance, general ledger, and transaction registers for its filed annual statements.</p> <p>The Fund maintains a trial balance, general ledger, and transaction registers for its filed annual statements for the examination period.</p>
B	<p>The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.</p> <p>The Fund submitted accurate annual statements for the examination period.</p>
C	<p>The examiner recommends that the Fund's board of directors review the activities of the Fund at least annually and note the same in the minutes.</p> <p>The examiner's review revealed that the Fund failed to provide evidence of such review, by failing to provide any board minutes. This is a repeat recommendation. (See item 4 of this report)</p>
D	<p>The examiner recommends that the Fund's board of directors approve the purchases and sales of the Fund's investments to ensure that Wells Fargo conducts investment transactions on behalf of the Fund according to an agreed upon investment guideline.</p> <p>As noted above, the Fund failed to provide evidence of any such board activity. This is a repeat recommendation. (See item 4 of this report)</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 Fund's board of directors review the activities of the Fund at least annually and note the same in the minutes. This is a repeat recommendation.	5
B	The examiner recommends that the Fund's board of directors approve the purchases and sales of the Fund's investments and review to ensure that Wells Fargo conducts investment transactions on behalf of the Fund in accordance with the agreed upon investment guideline. This is a repeat recommendation.	5

Respectfully submitted,

\_\_\_\_\_/s/  
Ashok Reddy  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
Ashok Reddy

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

APPOINTMENT NO. 31419

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, SHIRIN EMAMI, Acting 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:

**ASHOK REDDY**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
NEW YORK PROVINCE OF THE SOCIETY OF JESUS**

and to make a report to me in writing of the condition of said

**FUND**

with such other information as he shall deem requisite.

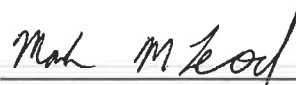
In Witness Whereof, I have hereunto subscribed my name  
and affixed the official Seal of the Department  
at the City of New York

this 25th day of January, 2016

SHIRIN EMAMI

Acting Superintendent of Financial Services

By:



MARK MCLEOD

ASSISTANT CHIEF - LIFE BUREAU

