



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
JEWISH THEOLOGICAL SEMINARY OF AMERICA

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

AUGUST 11, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

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EXAMINER:

ADELIA GBADAMOSI

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

September 19, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31314 dated June 3, 2015 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Jewish Theological Seminary of America, hereinafter referred to as the "Fund." The Fund's home office is located at 3080 Broadway, New York, New York 10027.

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 review the activities of the Fund at least annually and note the same in the minutes. (See item 4 of this report)

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 diversify its investment holdings. (See item 5 of this report)

The examiner recommends that the Fund adopt an Investment Strategy Statement (“ISS”). 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. (See item 5 of this report)

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

This is the first examination of the Fund since it received its special permit to issue gift annuity agreements in 2010. This examination covers the period from December 9, 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.

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 Jewish Theological Seminary of America is organized for the purpose of establishing and maintaining a theological seminary for the perpetuation of the tenets of the Jewish religion; educating and training Jewish Rabbis and teachers; establishing and operating a branch campus in Jerusalem, Israel to be known as the Schechter Institute for Jewish Studies; conducting a senior college and graduate school for men and women without regard to race, creed or color; and to creating and maintaining an institution which would constitute a center for instruction and research of ethical problems besetting the world of today and tomorrow so as to promote better understanding among peoples of the world. Under the provisions of its by-laws, the organization is permitted to issue gift annuity agreements and it has done so since 1996. A special permit was granted to the organization by the Department on December 9, 2010 authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

TIAA Trust Company is the Fund's custodian and its investment manager is Kaspick and Company, LLC ("Kaspick"). Kaspick performs gift administration functions including benefit payments to annuitants and is responsible for the preparation of 1099 tax forms. The Fund uses PG Calc Giftwrap software to administer its gift annuity program.

The management of the organization and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is no fewer than 5 and no greater than 50. As of December 31, 2014, the board consisted of 42 trustees. The trustees elect a chairman, a vice chairman, a chancellor, a treasurer, a secretary and an assistant secretary. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

#### 4. CORPORATE GOVERNANCE

The examiner requested copies of the board minutes for the examination period. The Fund responded that there are no minutes presented to the board of trustees relating to the activities of the Fund. As such, there was no indication that the board reviewed the activities of the Fund, including approval of the purchases and sales of the Fund's investments.

The examiner recommends that the Fund's board of trustees review the activities of the Fund at least annually and note the same in the minutes.

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. 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>2014</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$1,086,975</u>	<u>\$954,745</u>	<u>\$(132,230)</u>
Liabilities	<u>\$ 745,135</u>	<u>\$593,237</u>	<u>\$(151,898)</u>
Minimum required fund balance	\$ 74,514	\$ 59,324	\$ (15,190)
Excess fund balance (surplus)	<u>267,326</u>	<u>302,184</u>	<u>34,858</u>
Total annuity fund balance	<u>\$ 341,840</u>	<u>\$361,508</u>	<u>\$ 19,668</u>
Total liabilities and annuity fund balance	<u>\$1,086,975</u>	<u>\$954,745</u>	<u>\$(132,230)</u>

The decrease in assets and liabilities reflects the decrease in annual payments despite the fact that the number of annuities in force has not changed. Annual payments decreased from \$85,416 as of December 31, 2010 to \$67,872 as of December 31, 2014. Annuities in force has not change because the number of annuities in force has remained the same at 19 as of December 31, 2010 and December 31, 2014.

The increase in 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 (98.10%).

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 2014 annual statement on file, the Fund reported: 20.07% invested in the securities of PIMCO Total Return Fund Institutional mutual fund and 13.37% invested in the securities of PIMCO Foreign Bond Institutional mutual fund. The Fund's current concentration in the two mutual funds makes it highly unlikely that the Fund's other assets could provide a variability to offset the risks inherent in the funds.

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.

The examiner recommends that the Fund adopt an Investment Strategy Statement. 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.

## 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.

The examiner compared the annuity agreement forms used during the examination period to the forms approved by the Superintendent and determined that although the forms contained the correct wording, the forms did not contain any form numbers.

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.

## 7. 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 review the activities of the Fund at least annually and note the same in the minutes.	5
B	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
C	The examiner recommends that the Fund diversify its investment holdings.	7
D	The examiner recommends that the Fund adopt an Investment Strategy Statement. 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.	7
E	The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.	8

Respectfully submitted,

\_\_\_\_\_/s/  
Adelia Gbadamosi  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Adelia Gbadamosi

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

APPOINTMENT NO. 31314

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:

**ADELIA GBADAMOSI**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
JEWISH THEOLOGICAL SEMINARY OF AMERICA**

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 3rd day of June, 2015

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
ASSISTANT CHIEF - LIFE BUREAU

