

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
BOARD OF BENEFITS SERVICES OF THE REFORMED CHURCH  
IN AMERICA

CONDITION:

SEPTEMBER 30, 2012

DATE OF REPORT:

MAY 8, 2014

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EXAMINER:

MANISH GAJIWALA

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

March 15, 2018

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

Madam:

In accordance with instructions contained in Appointment No. 30969, dated December 4, 2013, and annexed hereto, an examination has been made into the condition and affairs of the Board of Benefits Services of the Reformed Church in America, hereinafter referred to as “the Fund,” at its home office located at 475 Riverside Drive, New York, NY 10115.

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 its financial statements contained in the June 30, 2009, filed statement. (See item 5 of this report)

The Fund violated sections 243.2(a) and 243.2(b)(2) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain the applications and their approval letters for the assistance grants. (See item 6 of this report)

## 2. SCOPE OF EXAMINATION

The prior examination was conducted as of September 30, 2007. This examination covers the period from October 1, 2007, through September 30, 2012. As necessary, the examiner reviewed transactions occurring subsequent to September 30, 2012, but prior to the date of this report (i.e., the completion date of the examination).

The examination was comprised of a verification of assets and liabilities, as of September 30, 2012, to determine whether the Fund's filed 2012 annual statement fairly presents its financial condition. The examiner reviewed the Fund's income and disbursements necessary to accomplish such verification and utilized examination procedures, as deemed appropriate, in such review, and in the review or audit of the following matters:

- History of the Fund
- Management
- Governance
- Growth of the Fund
- Accounts and records
- Financial statements
- Member benefits

The examiner reviewed the corrective actions taken by the Fund with respect to the recommendations contained in the prior report on examination. The results of the examiner's review are contained in item 10 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

#### A. History

The Board of Benefits Services of the Reformed Church in America was established by the General Synod of the Reformed Church in America (“Reformed Church”) and incorporated by an act of the Legislature of the State of New York (“the Legislature”) on April 16, 1923, under the original name of The Ministers’ Fund of the Reformed Church in America, Inc. (“Ministers’ Fund”). In June 1923, the General Synod designated the Ministers’ Fund as one of the regular boards of the Reformed Church. The original charter was amended by an act of the Legislature on March 23, 1938, to establish a retirement fund for the benefit of lay workers of the Reformed Church. On March 19, 1954, the Fund officially changed its name to The Board of Pensions of the Reformed Church in America, Inc. On July 1, 2000, the Fund again changed its name to the Board of Benefits Services of the Reformed Church in America to reflect more accurately the duties and responsibilities of the Fund. The Fund amended its constitution in July 2008 to include "Corporation" and “dissolution/liquidation” sections. The Fund also amended its constitution in July 2011 to include additional sections: (a) employment and termination of executive director; (b) indemnification, and (c) earnings and activities. The Fund amended its constitution again on July 1, 2013, to remove "supplemental pension" as one of the responsibilities of the Fund.

According to the Fund’s constitution and rules, the purpose of the Fund is to provide retirement income, assistance grants, insurance benefits and personnel support services for all ordained ministers and their families, and for other employees of the Reformed Church.

The Fund’s bill of incorporation states, in part:

“Such corporation is not established, and shall not be maintained or conducted for pecuniary profit, and shall have the status of a religious, educational and benevolent corporation.”

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

## B. Management

The Fund's constitution and rules, amended and restated as of July 1, 2013, provide that the management and affairs of the Fund shall be vested in its board of directors, which shall be comprised of 17 directors. The composition of the board of directors shall be as follows: the president and vice president of the General Synod, the moderator of the General Synod Council of the Reformed Church in America, the general secretary of the General Synod, and thirteen directors at-large who shall be nominated and elected in the manner set forth in the Book of Church Order Chapter 3, Part I, Article 4. As of September 30, 2012, the board of directors consisted of 17 voting members. Meetings of the board are held semi-annually, or as often as called by the President of the Fund.

The 17 board members and their principal business affiliation, as of September 30, 2012, were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Carl Boersma Brookings, SD	Vice President The General Synod and Board of Benefits Services	2012
Dennis Bolling Hilliard, OH	President Board of Benefits Services	2009
Harold Brown Kimberley, ID	Minister Retired	2011
Norma Coleman-James New Brunswick, NJ	Benefits Director LaGuardia Community College	2012
Thomas DeVries Grand Rapids, MI	General Secretary General Synod Council	2011
Karen Feeney Little Silver, NJ	Certified Financial Planner IndexIQ	2012
Pamela Foster Riverdale, NY	Director of Advice and planning TIAA-CREF	2012
Vernon Hoffs Redlands, CA	Minister Retired	2009



<u>Name and Residence</u>	<u>Principal Business Affiliation</u>	<u>Year First Elected</u>
Larryl Humme Palos Heights, IL	Moderator General Synod Council of the Reformed Church in America	2012
Daniel Kim Closter, NJ	Attorney Daniel D. Kim Law offices	2011
Daniel Kleinheksel Hamilton, MI	Financial Advisor Raymond James Financial	2007
Janet Krueger Rochester, MN	Public Defense Attorney State of Minnesota	2007
Robert Nykamp Hudsonville, MI	Vice President and Chief Operating Officer Pinerest	2012
Denise Ratcliffe Wayne, NJ	Chief Operating Officer Christian Health Care Center, NJ	2011
Thomas Smith Rock Valley, IA	President The General Synod	2012
Carl Van Voorst Watertown, SD	Minister Retired	2008
Timothy Zeutenhorst Orange City, IA	Certified Insurance Counselor Van Engelehoven Agency	2009

The examiner's review of the minutes of the meetings of the board of directors and its committees indicated that meetings were well attended and that each director attended a majority of meetings.

In July 2013, Gregory Alderman, Mary Bechler, Mark Kamper, Gloria McCanna and Juan Rivera were elected to replace Harold Brown, Larryl Humme, Daniel Kleinheksel, Janet Krueger and Thomas Smith. In October 2013, Nelson Murphy replaced Daniel Kim.

The following is a listing of the principal officers of the fund as of September 30, 2012:

<u>Name</u>	<u>Title</u>
Dennis Bolling	President
Gregory S. Benesh	Vice President
Kenneth Bradsell	Executive Director
Jeanette Salguero*	Secretary
Barbara Boers	Chief Financial Officer and Treasurer

\*The Fund erroneously listed Jeanette Salguero as secretary on its 2012 annual statement instead of Mornier Rich.

The Fund does not have its own investment advisory committee. The investment advisory committee of the Reformed Church provides investment advisory services to the Fund for its investment in the Reformed Church in America (“RCA”) Fund—a commingled investment account. The Fund has limited representation in the investment advisory committee of the Reformed Church.

### C. Benefits

The operations of the Fund are divided into two major funds: the Retirement Fund and the General Fund.

#### I. The Retirement Fund

This fund maintains four types of accounts for its members as described below.

##### a. Nonqualified Deferred Compensation Plan (“NDCP”)

The NDCP is a defined contribution plan designed to provide retirement income to ministers and lay workers who are employed in the various churches and organizations which make up the Reformed Church. The employer, which in most cases is the local church, either contributes the greater of 11% of the household’s income effective buying power, or a certain percentage of the employee’s actual salary: 11% for ordained ministers and national employees and 8% for lay employees. This plan contains only employer contribution as participants were not allowed to contribute. The Board approves the investment options available to the plan participants. Each plan participant receives a quarterly statement from the plan administrator, Fidelity Investments Institutional Operations Company, Inc. (“Fidelity”). Plan participants, upon retirement, can opt to withdraw funds pursuant to either an individualized withdrawal plan or a

commercial annuity. Both options are irrevocable after the commencement of payments. NDCP also allows participants to receive in-service withdrawals upon attaining age 59½ with proof of hardship. Ordained ministers can receive up to 10% of their account balance with demonstrated intent to purchase housing. This plan was closed on January 1, 2015, and new contributions are now deposited in the revised 403(b) plan referenced below.

b. Reformed Church 403(b) Pension Plan

This is the revised 403(b) deferred compensation plan which is the only plan currently open to the participants in the Fund. The plan includes all employer and employee contributions since January 1, 2005. This plan mirrors the provisions of the NDCP, except the employer's contribution for lay employees is optional. Participants' contributions to this account are completely voluntary and are initiated by plan participants pursuant to a Salary Deferral Agreement. Plan participants can contribute up to the annual elective deferral limit under Section 402(g) of the Internal Revenue Code but can exceed this limit based on certain catch-up provisions. Plan participants can receive withdrawals in the same manner as in the NDCP.

c. Support and Investment Funds

These funds were established to provide lifetime annuity payments with a guaranteed interest rate of 4% after a participant reaches retirement age. The assets in these funds are held with Fidelity. The Support and Investment Funds are no longer permitting new enrollees.

II. General Fund

The Fund provides assistance grants to retirees through the General Fund. In addition, children's benefits, accident or illness benefits and death related benefits are provided in accordance with the requirements set forth in the Fund's constitution and rules.

4. GROWTH OF THE FUND

Indicated below is significant information concerning the growth of the Fund during the period under examination as extracted from its filed annual statements. Failure of items to add to the totals shown in any table in this report is due to rounding.

The following table indicates the Fund's financial growth during the period under review in 000's:

## RETIREMENT FUND

	September 30, <u>2007</u>	September 30, <u>2012</u>	Increase (Decrease)
Assets	<u>\$354,768,974</u>	<u>\$357,257,048</u>	<u>\$2,488,074</u>
Liabilities	\$ 276,958	\$ 195,549	\$ (81,409)
Net Assets available for benefits	<u>354,492,016</u>	<u>357,061,499</u>	<u>2,569,483</u>
Total liabilities and Net assets for benefits	<u>\$354,768,974</u>	<u>\$357,257,048</u>	<u>\$2,488,074</u>

## GENERAL FUND

	September 30, <u>2007</u>	September 30, <u>2012</u>	Increase
Assets	<u>\$2,442,922</u>	<u>\$5,147,585</u>	<u>\$2,704,663</u>
Liabilities	\$ 70,118	\$ 156,987	\$ 86,869
Total Net Assets	<u>2,372,804</u>	<u>4,990,598</u>	<u>2,617,794</u>
Total liabilities and Net Assets	<u>\$2,442,922</u>	<u>\$5,147,585</u>	<u>\$2,704,663</u>

As of September 30, 2012, the Retirement Fund's assets were primarily invested in mutual funds, while the General Fund's assets were primarily invested in the RCA Fund.

The following table indicates the changes in the Fund's membership, as extracted from the exhibit of members, retirees and beneficiaries, during the period under examination:

	<u>Fiscal Year Ended September 30,</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Active members	2,773	2,800	2,756	2,743	2,713
Retirees and beneficiaries	<u>78</u>	<u>84</u>	<u>111</u>	<u>114</u>	<u>109</u>
Total	<u>2,851</u>	<u>2,884</u>	<u>2,867</u>	<u>2,857</u>	<u>2,822</u>

## 5. FINANCIAL STATEMENTS

The following statements show the Plan's Net Assets of the Fund as of September 30, 2012, for the retirement fund and the general fund, as contained in the Fund's 2012 filed annual statement, and the Statement of Changes in Plan Net Assets for the fiscal years ended September 2012 and 2011. 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 September 30, 2012, filed annual statement.

A. STATEMENT OF PLAN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2012

**RETIREMENT PROGRAM**

**Statements of Net Assets available for Benefits**

**403(b) Retirement Plan**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ASSETS:</b>					
Investments, at fair value					
Mutual funds	\$ <u>50,190,641</u>	\$ <u>59,919,675</u>	\$ <u>72,144,685</u>	\$ <u>76,828,769</u>	\$ <u>93,687,910</u>
	<u>\$50,190,641</u>	<u>\$59,919,675</u>	<u>\$72,144,685</u>	<u>\$76,828,769</u>	<u>\$93,687,910</u>
Participant loans available	\$ 304,839	\$ 400,393	\$ 489,380	\$ 770,279	\$ 1,007,799
Contributions receivable	0	0	0	0	2,323,594
Revenue credit receivable	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,593</u>
Total assets	<u>\$50,495,480</u>	<u>\$60,320,068</u>	<u>\$72,634,065</u>	<u>\$77,599,048</u>	<u>\$97,037,896</u>
<b>LIABILITIES:</b>					
Accounts payable to the General Fund	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>18,597</u>
Total liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,597</u>
Net assets available for benefits	<u>\$50,495,480</u>	<u>\$60,320,068</u>	<u>\$72,634,065</u>	<u>\$77,599,048</u>	<u>\$97,019,299</u>

**Retirement Plan**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ASSETS:</b>					
Investments, at fair value					
Mutual funds	\$251,401,679	\$243,657,095	\$250,947,302	\$240,196,221	\$258,703,753
Insurance contracts	245,584	213,437	180,725	146,509	120,549
Cash and cash equivalents	<u>21,791</u>	<u>20,340</u>	<u>18,889</u>	<u>17,438</u>	<u>15,987</u>
	<u>\$251,669,054</u>	<u>\$243,890,872</u>	<u>\$251,146,916</u>	<u>\$240,360,168</u>	<u>\$120,840,289</u>
Revenue credit receivable	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>56,407</u>
Total assets	<u>\$251,669,054</u>	<u>\$243,890,872</u>	<u>\$251,146,916</u>	<u>\$240,360,168</u>	<u>\$258,896,696</u>
<b>LIABILITIES:</b>					
Accounts payable to the General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,403
Annuities payable	<u>245,584</u>	<u>213,437</u>	<u>180,725</u>	<u>146,509</u>	<u>120,549</u>
Total liabilities	\$ <u>245,584</u>	\$ <u>213,437</u>	\$ <u>180,725</u>	\$ <u>146,509</u>	\$ <u>176,952</u>
Net assets available for benefits	<u>\$251,423,470</u>	<u>\$243,677,435</u>	<u>\$250,966,191</u>	<u>\$240,213,659</u>	<u>\$258,719,744</u>



**Support Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ASSETS:</b>					
Investments, at fair value					
Mutual funds	<u>\$837,326</u>	<u>\$868,555</u>	<u>\$851,446</u>	<u>\$693,381</u>	<u>\$751,806</u>
	<u>\$837,326</u>	<u>\$868,555</u>	<u>\$851,446</u>	<u>\$693,381</u>	<u>\$751,806</u>
Total assets	<u>\$837,326</u>	<u>\$868,555</u>	<u>\$851,446</u>	<u>\$693,381</u>	<u>\$751,806</u>
<b>LIABILITIES:</b>					
Total liabilities	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>
Net assets available for benefits	<u>\$837,326</u>	<u>\$868,555</u>	<u>\$851,446</u>	<u>\$693,381</u>	<u>\$751,806</u>

**Investment Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ASSETS:</b>					
Investments, at fair value					
Mutual funds	<u>\$563,194</u>	<u>\$584,199</u>	<u>\$532,312</u>	<u>\$490,804</u>	<u>\$570,650</u>
	<u>\$563,194</u>	<u>\$584,199</u>	<u>\$532,312</u>	<u>\$490,804</u>	<u>\$570,650</u>
Total assets	<u>\$563,194</u>	<u>\$584,199</u>	<u>\$532,312</u>	<u>\$490,804</u>	<u>\$570,650</u>
<b>LIABILITIES:</b>					
Total liabilities	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>	\$ <u>    0</u>
Net Assets available for benefits	<u>\$563,194</u>	<u>\$584,199</u>	<u>\$532,312</u>	<u>\$490,804</u>	<u>\$570,650</u>

## GENERAL FUND

### Statement of Financial Position

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ASSETS:</b>					
Cash and cash equivalents	\$2,988,261*	\$2,378,688	\$2,593,170	\$3,167,388	\$3,822,832
Other receivable	0	0	24,060	3,221	75,000
Assets held for long term purposes	0*	717,663	710,017	734,561	734,561
RCA Endowment Fund	116,624	121,232	128,879	128,401	142,739
Beneficial interest in a perpetual trust	<u>368,159</u>	<u>335,705</u>	<u>358,594</u>	<u>333,404</u>	<u>372,453</u>
 Total assets	 <u>\$3,473,044</u>	 <u>\$3,553,288</u>	 <u>\$3,814,720</u>	 <u>\$4,366,975</u>	 <u>\$5,147,585</u>
 <b>LIABILITIES AND NET ASSETS:</b>					
Liabilities:					
Accounts payable	\$ <u>118,168</u>	\$ <u>67,810</u>	\$ <u>94,684</u>	\$ <u>58,780</u>	\$ <u>156,987</u>
 Net assets:					
Unrestricted	\$2,067,890	\$2,213,695	\$2,419,207	\$3,038,430	\$3,661,148
 Temporarily restricted:					
Children's Fund	\$ 55,721	\$ 68,603	\$ 71,248	\$ 72,371	\$ 73,615
Assistance	<u>24,211</u>	<u>28,580</u>	<u>32,091</u>	<u>25,094</u>	<u>44,487</u>
	\$ <u>79,932</u>	\$ <u>97,183</u>	\$ <u>103,339</u>	\$ <u>97,465</u>	\$ <u>118,102</u>
 Permanently Restricted:					
Legacies	\$ 769,274	\$ 736,820	\$ 759,710	\$ 734,520	\$ 773,568
Assistance	<u>437,780</u>	<u>437,780</u>	<u>437,780</u>	<u>437,780</u>	<u>437,780</u>
	\$1,207,054	\$1,174,600	\$1,197,490	\$1,172,300	\$1,211,348
 Total net assets	 <u>\$3,354,876</u>	 <u>\$3,485,478</u>	 <u>\$3,720,036</u>	 <u>\$4,308,195</u>	 <u>\$4,990,598</u>
 Total liabilities and net assets	 <u>\$3,473,044</u>	 <u>\$3,553,288</u>	 <u>\$3,814,720</u>	 <u>\$4,366,975</u>	 <u>\$5,147,585</u>

\* The Fund reported cash and cash equivalents, and assets held for long term purposes as a combined amount.

**B. STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2012**

**RETIREMENT PROGRAM**

**Statements of Changes in Net Assets Available for Benefits**

**403(b) Retirement Plan**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ADDITIONS:</b>					
Investment income:					
Interest and dividends	\$ 3,189,040	\$ 1,568,830	\$ 1,715,558	\$ 2,448,966	\$ 3,088,369
Gain (loss) on sale of mutual funds	1,088	(1,504,687)	(547,850)	426,673	309,158
Net change in fair value of mutual funds	<u>(11,656,616)</u>	<u>2,263,364</u>	<u>4,340,305</u>	<u>(3,161,758)</u>	<u>9,137,909</u>
Total investment income(loss)	<u>\$ (8,466,488)</u>	<u>\$ 2,327,507</u>	<u>\$ 5,508,013</u>	<u>\$ (286,119)</u>	<u>\$12,535,436</u>
Contributions:					
Participants	\$ 2,576,183	\$ 2,312,162	\$ 2,099,278	\$ 2,187,865	\$ 2,687,128
Organizations	<u>6,967,696</u>	<u>6,804,401</u>	<u>6,898,273</u>	<u>6,914,005</u>	<u>7,646,421</u>
Total contributions	<u>9,543,879</u>	<u>9,116,563</u>	<u>8,997,551</u>	<u>9,101,870</u>	<u>\$10,333,549</u>
Total additions	<u>\$ 1,077,391</u>	<u>\$11,444,070</u>	<u>\$14,505,564</u>	<u>\$ 8,815,751</u>	<u>\$22,868,985</u>
<b>DEDUCTIONS:</b>					
Distributions to plan participants	\$ 1,933,127	\$ 1,494,579	\$2,022,951	\$ 3,667,896	\$ 4,787,199
Administrative fee—General Fund	114,022	124,682	184,335	179,000	209,303
Other expense	<u>268</u>	<u>221</u>	<u>2,878</u>	<u>3,872</u>	<u>3,588</u>
Total deductions	<u>\$ 2,047,417</u>	<u>\$ 1,619,482</u>	<u>\$ 2,210,164</u>	<u>\$ 3,850,768</u>	<u>\$ 5,000,090</u>
Transfer to/from 403(b) Retirement Fund	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,597</u>	<u>\$ 0</u>	<u>\$ 0</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total change in net assets	\$ <u>(970,026)</u>	\$ <u>9,824,588</u>	\$ <u>12,313,997</u>	\$ <u>4,964,983</u>	\$ <u>17,868,895</u>
Net assets, beginning of the year	\$ <u>51,465,506</u>	\$ <u>50,495,480</u>	\$ <u>60,320,068</u>	\$ <u>72,634,065</u>	\$ <u>79,150,404*</u>
Net assets, end of year	\$ <u>50,495,480</u>	\$ <u>60,320,068</u>	\$ <u>72,634,065</u>	\$ <u>77,599,048</u>	\$ <u>97,019,299</u>

\* indicates restated 2011 amount

### Retirement Plan

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
ADDITIONS:					
Investment income:					
Interest and dividends	\$ 17,533,456	\$ 8,088,291	\$ 6,926,144	\$ 8,313,434	\$ 8,892,653
Gain/loss on sale of mutual funds	582,206	(6,882,718)	(2,262,286)	914,448	788,663
Net change in fair value of mutual funds	<u>(54,597,433)</u>	<u>4,177,735</u>	<u>15,161,583</u>	<u>(6,636,687)</u>	<u>22,200,174</u>
Total investment income(loss)	<u>\$ (36,481,771)</u>	<u>\$ 5,383,308</u>	<u>\$ 19,825,441</u>	<u>\$ 2,591,195</u>	<u>\$ 31,881,490</u>
 Total additions	 <u>\$ (36,481,771)</u>	 <u>\$ 5,383,308</u>	 <u>\$ 19,825,441</u>	 <u>\$ 2,591,195</u>	 <u>\$ 31,881,490</u>
DEDUCTIONS:					
Distributions to plan participants	\$ 12,151,819	\$ 11,935,585	\$ 11,618,055	\$ 12,314,525	\$ 12,356,434
Administrative fee—General Fund	1,398,220	1,191,669	915,613	1,027,273	1,016,805
Other expense	<u>1,451</u>	<u>2,089</u>	<u>3,017</u>	<u>1,929</u>	<u>2,166</u>
Total deductions	<u>\$ 13,551,490</u>	<u>\$ 13,129,343</u>	<u>\$ 12,536,685</u>	<u>\$ 13,343,727</u>	<u>\$ 13,375,405</u>
 Total change in net assets	 <u>\$ (50,033,261)</u>	 <u>\$ (7,746,035)</u>	 <u>\$ 7,288,756</u>	 <u>\$ (10,752,532)</u>	 <u>\$ 18,506,085</u>
 Net assets, beginning of the year	 <u>\$301,456,731</u>	 <u>\$251,423,470</u>	 <u>\$243,677,435</u>	 <u>\$250,966,191</u>	 <u>\$240,213,659</u>
 Net assets, end of year	 <u>\$251,423,470</u>	 <u>\$243,677,435</u>	 <u>\$250,966,191</u>	 <u>\$240,213,659</u>	 <u>\$258,719,744</u>

**Support Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ADDITIONS:</b>					
Investment income					
Interest and dividends	\$ 71,624	\$ 21,476	\$ 20,192	\$ 13,933	\$ 12,489
Gain (loss) on sale of mutual funds	(3,119)	0	(16,745)	3,228	681
Net change in fair value of mutual funds	<u>(237,309)</u>	<u>9,753</u>	<u>85,644</u>	<u>15,737</u>	<u>116,531</u>
Total investment income (loss)	<u>\$(168,804)</u>	<u>\$ 31,229</u>	<u>\$ 89,091</u>	<u>\$ 32,898</u>	<u>\$129,701</u>
Total additions (reductions)	<u>\$(168,804)</u>	<u>\$ 31,229</u>	<u>\$ 89,091</u>	<u>\$ 32,898</u>	<u>\$129,701</u>
<b>DEDUCTIONS:</b>					
Distributions to plan participants	<u>\$ 117,047</u>	<u>\$175,522</u>	<u>\$196,664</u>	<u>\$ 190,963</u>	<u>\$ 71,276</u>
Total deductions	<u>\$ 117,047</u>	<u>\$175,522</u>	<u>\$196,664</u>	<u>\$ 190,963</u>	<u>\$ 71,276</u>
Transfer to/from Support Fund	<u>\$ 175,012</u>	<u>\$175,522</u>	<u>\$ 90,464</u>	0	0
Total change in net assets	<u>\$(110,839)</u>	<u>\$ 31,229</u>	<u>\$(17,109)</u>	<u>\$(158,065)</u>	<u>58,425</u>
Net assets, beginning of the Year	<u>\$ 948,165</u>	<u>\$837,326</u>	<u>\$868,555</u>	<u>\$ 851,446</u>	<u>\$693,381</u>
Net assets, end of year	<u>\$ 837,326</u>	<u>\$868,555</u>	<u>\$851,446</u>	<u>\$ 693,381</u>	<u>\$751,806</u>

### Investment Fund

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>ADDITIONS:</b>					
Investment income:					
Interest and dividends	\$ 45,982	\$ 14,445	\$ 13,175	\$ 9,005	\$ 7,858
Gain (loss) on sale of mutual funds	(597)	0	(1,843)	2,086	200
Net change in fair value of mutual funds	<u>(158,347)</u>	<u>6,560</u>	<u>50,022</u>	<u>5,529</u>	<u>85,727</u>
Total investment income (loss)	<u>\$(112,962)</u>	<u>\$ 21,005</u>	<u>\$ 61,354</u>	<u>\$ 16,620</u>	<u>\$ 93,785</u>
Total Additions	<u>\$(112,962)</u>	<u>\$ 21,005</u>	<u>\$ 61,354</u>	<u>\$ 16,620</u>	<u>\$ 93,785</u>
<b>DEDUCTIONS:</b>					
Distributions to plan participants	<u>\$ 22,399</u>	<u>\$ 94,972</u>	<u>\$ 22,777</u>	\$ 58,128	<u>\$ 13,939</u>
Total deductions	<u>\$ 22,399</u>	<u>\$ 94,972</u>	<u>\$ 22,777</u>	<u>\$ 58,128</u>	<u>\$ 13,939</u>
Transfer to/from Investment Fund	<u>\$ 97,000</u>	<u>\$ 94,972</u>	<u>\$(90,464)</u>	\$ 0	\$ 0
Total change in net assets	<u>\$ (38,361)</u>	<u>\$ 21,005</u>	<u>\$(51,887)</u>	<u>\$(41,508)</u>	<u>\$ 79,846</u>
Net assets, beginning of the Year	<u>\$ 601,555</u>	<u>\$563,194</u>	<u>\$584,199</u>	<u>\$532,312</u>	<u>\$490,804</u>
Net assets, end of year	<u>\$ 563,194</u>	<u>\$584,199</u>	<u>\$532,312</u>	<u>\$490,804</u>	<u>\$570,650</u>



**GENERAL FUND**

**Statements of Activities**

**Unrestricted Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>SUPPORT AND REVENUE:</b>					
General Synod benevolent contributions:					
Churches and individuals	\$ 21,696	\$ 17,848	\$ 21,588	\$ 16,208	\$ 44,993
Special thanks	344,612	34,485	29,579	26,052	0*
General Synod assessments	250,005	250,778	245,081	240,206	234,041
Cash and cash equivalent interest	161,792	119,029	104,820	149,789	79,035
RCA Endowment Fund and perpetual trust income	0	112	0	0	0
Administrative fee–Retirement Program	1,512,242	1,316,350	1,099,948	1,206,274	1,226,108
Rent income	2,640	2,888	2,881	960	0**
Other income	8,729	14,467	23,445	43,308	327,575
Net assets released from restriction	<u>15,000</u>	<u>678</u>	<u>6,965</u>	<u>54,518</u>	<u>13,334</u>
Total support and revenue	<u>\$2,316,716</u>	<u>\$1,756,635</u>	<u>\$1,534,307</u>	<u>\$1,737,315</u>	<u>\$1,925,086</u>
<b>EXPENSES:</b>					
Program	482,245	447,236	427,882	398,744	407,546
Promotion	11,317	7,776	0	0	0
Administration–general	767,774	682,301	705,672	600,001	905,724
Administration–basic service costs	<u>281,212</u>	<u>202,000</u>	<u>196,847</u>	<u>129,049</u>	<u>0***</u>
Total expenses	<u>\$1,542,548</u>	<u>\$1,339,313</u>	<u>\$1,330,401</u>	<u>\$1,127,794</u>	<u>\$1,313,270</u>
<b>TRANSFERS:</b>					
From Annuity Bond Fund	(4,006)	(1,023)	1,606	0	0
From Support Bond Fund	(175,012)	(175,522)	0	0	0
From Investment Fund	<u>(97,000)</u>	<u>(94,972)</u>	<u>0</u>	<u>9,702</u>	<u>10,902</u>
Total transfers	<u>\$ (276,018)</u>	<u>\$ (271,517)</u>	<u>\$ 1,606</u>	<u>\$ 9,702</u>	<u>\$ 10,902</u>

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total change in net assets	\$ <u>498,150</u>	\$ <u>145,805</u>	\$ <u>205,512</u>	\$ <u>619,223</u>	\$ <u>622,718</u>
Net assets, beginning of year	\$ <u>1,569,740</u>	\$ <u>2,067,890</u>	\$ <u>2,213,695</u>	\$ <u>2,419,207</u>	\$ <u>3,038,430</u>
Net assets, end of year	\$ <u>2,067,890</u>	\$ <u>2,213,695</u>	\$ <u>2,419,207</u>	\$ <u>3,038,430</u>	\$ <u>3,661,148</u>

\* The Fund reported combined General Synod benevolent contributions for 2012

\*\* The Fund reported rent income and other income as other income for 2012

\*\*\* The Fund reported administration expenses combined for 2012

**Temporarily Restricted Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>SUPPORT AND REVENUE:</b>					
General Synod benevolent contributions:					
Children's Fund	\$ 2,218	\$12,882	\$ 2,645	\$ 1,123	\$ 1,244
General Synod Assessments					
Cash and cash equivalent interest	0	439	327	160	56
RCA Endowment Fund and perpetual trust income	0	4,608	10,149	47,361	32,671
Net assets released from restriction:	<u>(15,000)</u>	<u>(678)</u>	<u>\$ (6,965)</u>	<u>\$ (54,518)</u>	<u>\$ (13,334)</u>
Total support and revenue	<u>\$(12,782)</u>	<u>\$17,251</u>	<u>\$ 6,156</u>	<u>\$ (5,874)</u>	<u>\$ 20,637</u>
Total change in net assets	<u>\$(12,782)</u>	<u>\$17,251</u>	<u>\$ 6,156</u>	<u>\$ (5,874)</u>	<u>\$ 20,637</u>
Net assets, beginning of year	<u>\$ 92,714</u>	<u>\$79,932</u>	<u>\$ 97,183</u>	<u>\$103,339</u>	<u>\$ 97,465</u>
Net assets, end of year	<u>\$ 79,932</u>	<u>\$97,183</u>	<u>\$103,339</u>	<u>\$ 97,465</u>	<u>\$118,102</u>

**Permanently Restricted Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>SUPPORT AND REVENUE:</b>					
Gain (loss) on beneficial interest in perpetual trust	<u>\$ 0</u>	<u>\$ (32,454)</u>	<u>\$ 22,890</u>	<u>\$ (25,190)</u>	<u>\$ 39,048</u>
Total support and revenue	<u>\$ 0</u>	<u>\$ (32,454)</u>	<u>\$ 22,890</u>	<u>\$ (25,190)</u>	<u>\$ 39,048</u>
Total change in net assets	<u>\$ 0</u>	<u>\$ (32,454)</u>	<u>\$ 22,890</u>	<u>\$ (25,190)</u>	<u>\$ 39,048</u>
Net assets, beginning of year	<u>\$1,207,054</u>	<u>\$1,207,054</u>	<u>\$1,174,600</u>	<u>\$1,197,490</u>	<u>\$1,172,300</u>
Net assets, end of year	<u>\$1,207,054</u>	<u>\$1,174,600</u>	<u>\$1,197,490</u>	<u>\$1,172,300</u>	<u>\$1,211,348</u>

The Fund reported participant loans on the audited financial statements as available for participants but did not include it on the liabilities page of the annual statements for the examination period. The participant's liabilities page of the annual statement is comprised of accumulated employer and employee contributions, including the value of benefits for inactives.

The examiner recommends that in the future the Fund includes participant loans on the participant's liabilities page of the annual statement.

CapinCrouse LLP prepared the Fund's 2012 annual statement and performed the audit of the Fund's financial statements for the examination period. Segregation of duties is critical to effective internal control; it reduces the risk of both erroneous and inappropriate actions. However, the same personnel who prepared the Fund's 2012 annual statement also performed the 2012 annual audit of the Fund's financial statements.

The examiner recommends that the Fund either prepares the annual statement internally, or retains different firms to prepare its annual statements and audit its financial statements or has different personnel provide different services.

## 6. TREATMENT OF MEMBERS

The examiner reviewed a sample of various types of retirement benefits to members and beneficiaries. The examiner also reviewed the various controls involved, checked the accuracy of the computations and traced the accounting data to the books of account.

Section 243.1(a) of 11 NYCRR 243 (Regulation 152) states, in part:

“Insurer means an authorized insurer, as such term is defined in Insurance Law, Section 107(a)(10); a joint underwriting association; the life insurance department of a savings bank, as such term is defined in Banking Law, Section 261; the state insurance fund; the medical malpractice insurance association; the New York property insurance underwriting association; the New York automobile insurance plan; the motor vehicle accident indemnification corporation; a health maintenance organization subject to Public Health Law, Article 44; an employee welfare fund; a charitable annuity society, pension fund, **retirement system**, fraternal benefit society. . .”

Section 243.2(a) of 11 NYCRR 243 (Regulation 152) states, in part:

“. . . every insurer shall maintain its claims, rating, underwriting, marketing, complaint, financial, and producer licensing records, and such other records subject to examination by the superintendent, in accordance with the provisions of this Part.”

Section 243.2(b)(2) of 11 NYCRR 243 (Regulation 152) states:

“An application where no policy or contract was issued for six calendar years or until after the filing of the report on examination in which the record was subject to review, whichever is longer.”

The Fund’s process for assistance grants includes obtaining the annual applications and the approval of the applications every year. This process is confirmed with the executive director and is evidenced in the Fund’s specimen copies of assistance approval letters and assistance confirmation letters. The examiner’s review of a sample of disability assistance, insurance assistance-other, emergency assistance, and monthly assistance files revealed that none of these files contained the application for assistance and the approval of the application.

The Fund violated sections 243.2(a) and 243.2(b)(2) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain the applications and their approval letters for the assistance grants.

The examiner recommends that the Fund maintains a complete member’s file, including the application for assistance grants and its approval letter.

The examiner reviewed 45 retirement benefit payment applications. In eight of the cases reviewed, the Fund did not approve the application before processing.

The examiner recommends that the Fund approves each retirement benefit payment application before processing.

The examiner reviewed 12 approved and processed participant loan files of the Fund's 403(b) pension plan. The examiner noted that (a) eight applications did not contain the plan administrator's approval; (b) in all cases, the interest rate charged was different from the rate quoted on the application; and (c) in all cases, the files did not include any correspondence between the Fund's contact and the employers regarding compliance with the plan regulations; and (d) two files did not contain the self-certification indicating compliance with the plan's provisions. The Fund's process includes assisting employers with the compliance of the plan regulations when participants initiate and receive plan loans.

The examiner recommends that each participant loan file includes (a) applicable correspondence, if any; (b) the self-certification and the interest rate charged on the application; and (c) the plan administrator's approval for each approved and processed loan.

The examiner reviewed eight contribution cases. In four cases, (a) the Fund did not have the lay employee's salary information; and (b) in all eight cases, the employer contribution amounts could not be verified as being the correct annual eligible pay amounts because either the salary information or the supporting documentation was lacking.

The examiner recommends that the Fund obtains and retains sufficient salary information and supporting documentation to verify the contributions received from all participants.

The Fund has indicated that it has asked all employers/consistories to complete and submit the salary verification information as part of the annual "Consistorial Report Form," and the process will continue annually.

## 7. CONTRIBUTION RECEIVABLE

The Fund's independent auditor, CapinCrouse LLP, issued a qualified opinion for the Fund's 2011 annual statement of its retirement program because it could not obtain sufficient data from organizations participating in the 403(b) plan to determine if contributions are calculated correctly and if any additional contributions are due to the 403(b) plan as of September 30, 2011. In its 2012 management letter, CapinCrouse LLP indicated, in part, "There is no control in place at BOBS (i.e. the Fund) to detect errors in timeliness and accuracy of contributions. Furthermore, because BOBS is relying on the organizations to send contributions to Fidelity at the appropriate times, there could be contributions due to the Plan at year end of which BOBS is not aware. In addition, there is no policy in place to determine whether the individual employers have met their required match for the year as stated in their individual adoption agreement. These items have continued to create the potential for the understatement of contributions and related receivables."

During 2012, the Fund obtained information from all participating organizations to compare it to expected contributions and analyzed the data in detail. This initiative enabled management to estimate a receivable to the plan, which was recorded in the 2012 annual statement.

In April 2014, the Fund indicated that the members of the retirement staff team continued to work with employers to help bring them come into full compliance with the Fund's 403(b) plan document requirement. The Fund estimated that over 30% of the employer contacts have been completed. In the cases where the employer is not in compliance, the required funds were either paid into the participant's account in full or a repayment plan was complied with. The Fund estimates that it will be in full compliance by the end of calendar year 2014.

The examiner recommends that the Fund provides a quarterly update report as September 30, 2014, and a full compliance report as of December 31, 2014, to the Department on the Fund's progress with compliance with the plan document requirement for its 403(b) plan.

## 8. INTERNAL AUDIT

The Fund does not have an internal audit function. Internal audit is an integral part of corporate governance that includes the finance/audit committee, the board of directors, senior management and the external auditors. In particular, internal auditors and the finance/audit committee are mutually supportive. The finance/audit committee considers the work of internal auditors essential to gain a complete understanding of the Fund's operations. Internal audit identifies strategic, operational, financial and compliance risks facing the organization and assesses controls placed by management to mitigate these risks.

The examiner recommends that the Fund establishes and maintains an independent, adequately resourced and competently staffed internal audit function to provide senior management and the finance/audit committee with ongoing assessments of the Fund's risk management processes and the accompanying systems of internal controls. If audits performed by an affiliate on a functional basis encompass the activities of the Fund, the audit workpapers should be maintained by internal audit, should provide sufficient details on the transactions or activities selected and should provide clear understanding of its purpose, sources, and the conclusions reached.



## 9. DISASTER RECOVERY AND BUSINESS CONTINUITY PLANS

The prior report on examination contained recommendations that the Fund develop and document its formal, written disaster recovery and business continuity plans and to test these plans regularly. The disaster recovery plan provides reasonable assurance that data, systems and operations can be recovered and be available to users in the event of a disaster, and the business continuity plan reasonably ensures that critical business processes can be recovered in the event of a disaster.

The examiner inquired about the status of the Fund's disaster recovery and business continuity plans; the Fund was unable to provide a full disaster recovery or business continuity plan for the current examination period.

The examiner again recommends that the Fund develops and documents a formal, written disaster recovery plan, and to test the plan regularly. The plan should address hardware and system recovery, data retrieval procedures, emergency contact information, hardware/software vendor information, telecommunications recovery procedures, disaster declaration approval procedures, and physical recovery location. The plan should also contain provisions to ensure periodic testing. The disaster recovery plan should be aligned with the business continuity plan, should be approved and periodically reviewed by management to ensure that it meets the needs of the Fund. Documentation of the disaster recovery plan testing and results, indicating the problems found or the successful completions, and documentation of management's approval of the plan should be maintained.

The examiner again recommends that the Fund develops and documents a formal, written business continuity plan, and to test the plan regularly. The plan should identify the recovery of critical business processes. The plan should also identify supporting systems applications and vendors that would assist with locating alternative processing and office site locations, forms and documentation arrangements, network and application restoration procedures, and operating procedures for the Fund's personnel to follow during the disaster and recovery period. The plan should contain provisions to ensure periodic testing. The business continuity plan should be approved and periodically reviewed by management to ensure that it meets the needs of the Fund. Documentation of the business continuity plan testing and results, and documentation of management's approval of the plan should be maintained.

The Fund was committed to completing the disaster recovery and business continuity plans by September 1, 2014.

## 10. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the recommendations contained in the prior report on examination and the subsequent action taken by the Fund in response to each citation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommended that the Fund accurately list its board members in the annual statement to the superintendent.</p> <p>The examiner's review indicated that the Fund accurately listed its board members in the annual statement to the superintendent.</p>
B	<p>The examiner recommended that the Fund comply with its constitution and rules when appointing <i>ex officio</i> members to the board of directors.</p> <p>The examiner's review indicated that the Fund complied with its constitution and rules during the examination period.</p>
C	<p>The examiner recommended that the Fund document its disaster recovery planning efforts by developing a formal, written plan that is tested on a regular basis.</p> <p>The examiner's review indicated that the Fund did not develop or test a formal, written disaster recovery plan during the examination period.</p>
D	<p>The examiner also recommended that the Fund document its business continuity plan by developing a formal, written business continuity plan that is tested on a regular basis.</p> <p>The examiner's review indicated that the Fund did not develop or test a formal, written business continuity plan during the examination period.</p>

## 11. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that in the future the Fund includes participant loans on the participant's liabilities page of the annual statement.	25
B	The examiner recommends that the Fund either prepares the annual statement internally, or retains different firms to prepare its annual statements and audit its financial statements.	25
C	The Fund violated sections 243.2(a) and 243.2(b)(2) of 11 NYCRR 243 (Insurance Regulation 152) by failing to retain the applications and their approval letters for the assistance grants. .	26
D	The examiner recommends that the Fund maintains a complete member's file, including the application for assistance grants and its approval letter.	26
E	The examiner recommends that the Fund approves each retirement benefit payment application before processing.	27
F	The examiner recommends that each participant loan file includes (a) applicable correspondence, if any; (b) the self-certification and the interest rate charged on the application; and (c) the plan administrator's approval for each approved and processed loan.	27
G	The examiner recommends that the Fund obtains and retains sufficient salary information and supporting documentation to verify the contributions received from all participants.	27
H	The examiner recommends that the Fund provides a quarterly update report as September 30, 2014, and a full compliance report as of December 31, 2014, to the Department on the Fund's progress with compliance with the plan document requirement for its 403(b) plan.	28

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
I	The examiner recommends that the Fund establishes and maintains an independent, adequately resourced and competently staffed internal audit function to provide senior management and the finance/audit committee with ongoing assessments of the Fund's risk management processes and the accompanying systems of internal controls. If audits performed by an affiliate on a functional basis encompass the activities of the Fund, the audit workpapers should be maintained by internal audit, should provide sufficient details on the transactions or activities selected and should provide clear understanding of its purpose, sources, and the conclusions reached.	29
J	The examiner recommends that the Fund develops and documents a formal, written disaster recovery plan, and to test the plan regularly. This is a repeat recommendation.	30
K	The examiner recommends that the Fund develops and documents a formal, written business continuity plan, and to test the plan regularly. This is a repeat recommendation.	30

Respectfully submitted,

\_\_\_\_\_/s/  
Manish Gajiwala  
Senior Insurance Examiner

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

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

\_\_\_\_\_/s/  
Manish Gajiwala

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

APPOINTMENT NO. 30969

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:

**MANISH GAJIWALA**

as a proper person to examine the affairs of the

**BOARD OF BENEFITS SERVICES OF THE  
REFORMED CHURCH IN AMERICA**

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

**PENSION FUND**

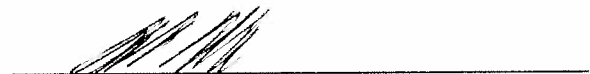
with such other information as he shall deem requisite.

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

this 4th day of December, 2013

BENJAMIN M. LAWSKY  
Superintendent of Financial Services

By:



MICHAEL MAFFEI  
ASSISTANT DEPUTY SUPERINTENDENT  
AND CHIEF OF THE LIFE BUREAU

