NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
MARYKNOLL SISTERS OF ST. DOMINIC, INC.

CONDITION: DECEMBER 31, 2014
DATE OF REPORT: JUNE 3, 2015
NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

MARYKNOLL SISTERS OF ST. DOMINIC, INC.

AS OF

DECEMBER 31, 2014

DATE OF REPORT: JUNE 3, 2015

EXAMINER: KINGS ANKRAH
<table>
<thead>
<tr>
<th>ITEM</th>
<th>PAGE NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Executive summary</td>
<td>2</td>
</tr>
<tr>
<td>2. Scope of examination</td>
<td>3</td>
</tr>
<tr>
<td>3. Description of Fund</td>
<td>4</td>
</tr>
<tr>
<td>4. Corporate governance</td>
<td>5</td>
</tr>
<tr>
<td>5. Significant financial information</td>
<td>6</td>
</tr>
<tr>
<td>6. Treatment of annuitants</td>
<td>7</td>
</tr>
<tr>
<td>7. Custodian</td>
<td>7</td>
</tr>
<tr>
<td>8. Prior report summary and conclusions</td>
<td>8</td>
</tr>
<tr>
<td>9. Summary and conclusions</td>
<td>9</td>
</tr>
</tbody>
</table>
Honorable Maria T. Vullo  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31316, dated May 20, 2015 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Maryknoll Sisters of St. Dominic, Inc., hereinafter referred to as the “Fund.” The Fund’s home office is located at 10 Pinesbridge Road, Maryknoll, New York 10545.

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 directors, 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’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 recommends that the Fund obtain and maintain a copy of each deceased annuitant’s death certificate. (See item 6 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 7 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 8 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

Maryknoll Sisters of St. Dominic, Inc. (the “Maryknoll Sisters”) was the first group of Catholic Sisters founded in the United States to devote their lives in overseas missions dedicated to making God’s love known through humanitarian pursuits. Under the provisions of its by-laws, the Fund is permitted to issue gift annuity agreements and it has done so since 1971. A special permit was granted to the Fund by the Department on March 3, 2000, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

The Fund maintains a service agreement with Brenner, McDonough & Tortolani (“BMT”), in which BMT provides investment management services. The Fund maintains an agreement with Hemmenway and Reinhardt, Inc. for: producing and forwarding of distribution checks; preparation and filing of tax and information returns; generation of 1099 Income Tax forms at the end of each year; preparing and filing the New York State Annual Statement with the Department; legal reserve calculation; and maintenance of donor and beneficiary records. The Fund retains Morgan Stanley Global Wealth Management as its custodian. The Fund performs accounting services and issues payments to the annuitants through its checking account with JP Morgan Chase Bank.

The management of the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to nine. As of December 31, 2014, the board consisted of five directors. The directors elect a president, vice-president, general secretary, assistant 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 reviewed the board of directors’ minutes to determine if the board approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the board approved the purchases and sales of investments during the examination period.

The examiner recommends that the board of directors, 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:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2009</th>
<th>December 31, 2014</th>
<th>Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admitted assets</td>
<td>$6,076,183</td>
<td>$5,922,624</td>
<td>$(153,559)</td>
</tr>
<tr>
<td>Liabilities</td>
<td>$5,299,160*</td>
<td>$4,814,045</td>
<td>$(485,115)</td>
</tr>
<tr>
<td>Minimum required fund balance</td>
<td>$ 529,916*</td>
<td>$ 481,405</td>
<td>$(48,511)</td>
</tr>
<tr>
<td>Excess fund balance (surplus)</td>
<td>247,107*</td>
<td>627,174</td>
<td>380,067</td>
</tr>
<tr>
<td>Total annuity fund balance</td>
<td>$ 777,023*</td>
<td>$1,108,579</td>
<td>$331,556</td>
</tr>
<tr>
<td>Total liabilities and annuity fund balance</td>
<td>$6,076,183</td>
<td>$5,922,624</td>
<td>$(153,559)</td>
</tr>
</tbody>
</table>

*The figures reported as of December 31, 2009, for liabilities, minimum required fund balance, excess fund balance (surplus) and total annuity fund balance were determined in the prior examination report.

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 343 with annual payment amounts of $543,196 as of December 31, 2009 to a total of 334 with annual payment amounts of $510,744 as of December 31, 2014.

Annuity fund balance increased during the examination period. The Fund did not provide any specific explanation for the increase.

The Fund’s admitted assets, as of December 31, 2014, were invested mainly in bonds (94.39%). All bonds held were investment grade.
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 reviewed a sample of four terminated annuity contracts and determined that in three out of the four cases reviewed, the Fund did not obtain and maintain a copy of each deceased annuitant’s death certificate.

The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant’s death certificate.

7. CUSTODIAN

Morgan Stanley Global Wealth Management (“Morgan Stanley”) performs custody services on behalf of the Fund. The examiner determined that Morgan Stanley is 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.
8. 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:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The examiner recommended that the Fund prepare its annual statements in accordance with Department instructions. The Fund prepared its annual statements in accordance with the Department’s annual statement instructions.</td>
</tr>
<tr>
<td>B</td>
<td>The examiner recommended that the Fund ensure that all gift annuity agreement forms have the appropriate form number displayed on each form issued. The Fund has taken steps to ensure that all gift annuity agreement forms have the appropriate form number displayed on each form issued.</td>
</tr>
</tbody>
</table>
### 9. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Page No(s.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>The examiner recommends that the board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.</td>
<td>5</td>
</tr>
<tr>
<td>B</td>
<td>The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant’s death certificate.</td>
<td>7</td>
</tr>
<tr>
<td>C</td>
<td>The examiner recommends that the Fund contract with a licensed bank or trust company to serve as custodian for the Fund’s securities.</td>
<td>7</td>
</tr>
</tbody>
</table>
STATE OF NEW YORK )
COUNTY OF NEW YORK )

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

/s/
Kings Ankrah

Subscribed and sworn to before me

this ______ day of ________________________
APPOINTMENT NO. 31316

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:

KINGS ANKRAH

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE MARYKNOLL SISTERS OF ST. DOMINIC, INC.

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 20th day of May, 2015

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By: MARK MCLEOD
ASSISTANT CHIEF - LIFE BUREAU