



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
JEWISH FEDERATIONS OF NORTH AMERICA, INC.

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

OCTOBER 25, 2013

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EXAMINER:

PABLO RAMOS

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

August 26, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 30928, dated March 18, 2013 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Jewish Federations of North America, Inc., hereinafter referred to as “the Fund,” at its home office located at 25 Broadway, Suite 1700, New York, NY 10004.

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 investments, and note such approvals in the minutes. 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, 2012 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, 2007. This examination covers the period from January 1, 2008 through December 31, 2012. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2012 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, 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. 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 Jewish Federations of North America, Inc. (the “Organization”) is a not-for-profit organization which includes 153 Jewish federations and over 300 smaller, independent communities throughout the United States and Canada. The Organization provides fund raising support, organization assistance, training, and overall leadership to the Jewish federations and communities. Under the provisions of its by-laws, the Organization is permitted to issue gift annuity agreements and it has done so since June 2002. A special permit was granted to the Organization by the Department on September 10, 2004, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. The special permit was granted to “United Jewish Communities.” Effective March 15, 2010, the Fund’s name changed to “Jewish Federations of North America, Inc.”

The Fund issues the annuities and maintains the annuity contract files at its home office, 25 Broadway, Suite 1700, New York, NY 10004. The Fund maintains a custodian and investment management agreement with PNC Bank, National Association (“PNC Bank, N.A.”). PNC Bank, N.A.: issues payments on behalf of the Fund; prepares and distributes tax form 1099-R to annuitants; and makes 1099-R annual reports to the Internal Revenue Service. The Fund maintains a license with PG Calc, a support service company for charitables, to calculate annuity reserves. The Fund contracts with McGladrey, LLP to prepare the Fund’s New York State annual statement filing.

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 limited to not less than 123 regular voting trustees and up to nine ex-officio trustees with voting privileges. As of December 31, 2012, the board consisted of 129 voting trustees. The trustees elect a chair of the board, chair of the executive board, up to five vice-chairs of the board, a treasurer, a secretary, a national campaign chair, a president, and such other officers as the board may deem necessary to perform such duties that the board may specify at the time of election of such other officers. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

4. CORPORATE GOVERNANCE

The examiner's review of the Fund's investment committee minutes revealed that the Fund does not approve the purchases and sales of individual investments.

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of investments, and note such approvals in the minutes. This is a repeat recommendation.

5. SIGNIFICANT FINANCIAL INFORMATION

The following summary table indicates the decline in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2012</u>	<u>(Decrease)</u>
Admitted assets	<u>\$4,792,816</u>	<u>\$4,616,629</u>	<u>\$(176,187)</u>
Liabilities	<u>\$3,653,469</u>	<u>\$3,630,787</u>	<u>\$ (22,682)</u>
Minimum required fund balance	\$ 365,336	\$ 363,302	\$ (2,034)
Excess fund balance (surplus)	<u>774,011</u>	<u>622,540</u>	<u>(151,471)</u>
Total annuity fund balance	<u>\$1,139,347</u>	<u>\$ 985,842</u>	<u>\$(153,505)</u>
Total liabilities and annuity fund balance	<u>\$4,792,816</u>	<u>\$4,616,629</u>	<u>\$(176,187)</u>

Note: Any differences are due to rounding.

The decrease in assets, liabilities and annuity fund balance reflects a decrease in annual payments despite an increase in annuities in force. Annual payments decreased from \$472,000 as of December 31, 2007 to \$457,972 as of December 31, 2012; in contrast, annuities in force increased from 64 as of December 31, 2007 to 77 as of December 31, 2012.

The Fund's admitted assets, as of December 31, 2012, were invested mainly in common stocks (94.23%).

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 obtain and maintain a copy of the deceased annuitant's death certificate.</p> <p>The examiner's review of a sample of terminated contracts revealed that the Fund now maintains copies of the death certificates or social security death index search results in the deceased annuitants' files.</p>
B	<p>The examiner recommends that the board of trustees or a committee thereof, approve the purchases and sales of investments, and note such approvals in the minutes.</p> <p>The examiner's review revealed that the investment committee does not approve the individual purchases and sales of the Fund's investments. (See item 4 of this report)</p>
C	<p>The examiner recommends that the Fund obtain brokers' advices or other source documentation and reconcile such documentation to the monthly statements provided by the custodian.</p> <p>The examiner's review of the SSAE 16 report for custody services for the period ending September 30, 2012 revealed that the service provider has adequate controls to ensure that securities transactions are executed according to the Fund's instructions.</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 investments, and note such approvals in the minutes. This is a repeat recommendation.	5

Respectfully submitted,

_____/s/
Pablo Ramos
Insurance Examiner

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

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

_____/s/
Pablo Ramos

Subscribed and sworn to before me
this _____ day of _____