



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
MINISTERS AND MISSIONARIES BENEFIT BOARD
OF THE AMERICAN BAPTIST CHURCHES

CONDITION:

DECEMBER 31 2013

DATE OF REPORT:

SEPTEMBER 10, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

DENISE SAUNDERS

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

September 23, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31157, dated April 9, 2014 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Ministers and Missionaries Benefit Board of the American Baptist Churches, hereinafter referred to as the “Fund,” at its home office located at 475 Riverside Drive, Suite 1700, 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 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 5 of this report)

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. This is a repeat recommendation. (See item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2008. This examination covers the period from January 1, 2009 through December 31, 2013. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2013 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, 2013 to determine whether the Fund's filed 2013 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 Ministers and Missionaries Benefits Board of the Northern Baptist Convention was incorporated in New York in 1913. The word “Northern” was changed to “American” on June 15, 1950. The name was again changed to the Ministers and Missionaries Benefit Board of the American Baptist Churches (“the Benefit Board”), its present name, on March 20, 1974. The Benefit Board is organized to administer funds for the benefit of ministers and missionaries who have served the American Baptist denomination, their spouses, surviving spouses and dependent children. The Benefit Board established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1913. A special permit was granted to the Benefit Board by the New York State Insurance Department on March 25, 1940, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

The Fund’s external audit firm, BDO USA, LLP, audits the Fund on a semi-annual basis and prepares the annual statements with data provided by the Benefit Board financial services staff. General accounting functions performed by the Benefit Board financial services staff include reconciliation of the Fund’s books compared to its custodian’s statements, preparation of the Fund’s trial balance, and calculation of the Fund’s liabilities. The Bank of New York Mellon is the Fund’s custodian.

The management of the Benefit Board and the Fund and all of its affairs and property are entrusted to a board of managers. The number of managers is limited to not less than 13 and no more than 20 regular voting managers. The managers elect a president, one or more vice presidents, an executive director, a corporate secretary and a treasurer. As of December 31, 2013, the board of managers consisted of 19 members. The nomination and election procedures of the managers and their term of office are set by the by-laws.

4. 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>2008</u>	<u>December 31,</u> <u>2013</u>	<u>(Decrease)</u>
Admitted assets	\$ <u>816,278</u>	\$ <u>430,795*</u>	\$(<u>385,483</u>)
Liabilities	\$ <u>460,958</u>	\$ <u>242,519</u>	\$(<u>218,439</u>)
Minimum required fund balance	\$100,000	\$ 23,452	\$ (76,548)
Excess fund balance (surplus)	<u>255,320</u>	<u>164,824*</u>	<u>(90,496)</u>
Total annuity fund balance	\$ <u>355,320</u>	\$ <u>188,276*</u>	\$(<u>167,044</u>)
Total liabilities and annuity fund balance	\$ <u>816,278</u>	\$ <u>430,795*</u>	\$(<u>385,483</u>)

Note: Items denoted with an asterisk were determined during the current examination. (See item 6 of this report)

The decrease in assets, liabilities and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 84 with annual payment amounts of \$76,492 as of December 31, 2008 to a total of 47 with annual payment amounts of \$40,304 as of December 31, 2013. The Fund has ceased the issuance of gift annuities and thus none were issued during the examination period.

The Fund's admitted assets, as of December 31, 2013 were mainly invested in money market mutual funds (97.62%).

5. 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.

6. ANNUAL STATEMENT REPORTING

The Fund reported money market mutual funds with a market value of \$412,540, in the assets section of its 2013 Annual Statement; however, the examiner determined that based on the custodian confirmation obtained as of December 31, 2013 the Fund should have reported the market value as \$420,465.58. The Fund also reported cash on deposit of \$10,064, in the assets section of its 2013 Annual Statement; however, the examiner determined that based on the custodian confirmation obtained as of December 31, 2013 the Fund should have reported cash on deposit of \$10,329.82. Based on the above, the Fund understated total assets, excess fund balance (surplus), total annuity fund balance, and total liabilities and annuity fund balance by \$8,191. In sum, the Fund should have reported total assets of \$430,795; excess fund balance (surplus) of \$164,824; total annuity fund balance of \$188,276; and total liabilities and annuity fund balance of \$430,795 in its 2013 Annual Statement.

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. This is a repeat recommendation.

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 board of managers, or a committee thereof, review the Fund's operations and note the same in the board minutes.</p> <p>The Fund's Investment Committee approved the Fund's investment transactions during 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 examiner's review of the Fund's 2013 Annual Statement revealed several errors. Thus, this is a repeat recommendation. (See item 6 of this report)</p>

8. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No.</u>
A	The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. This is a repeat recommendation.	7

Respectfully submitted,

_____/s/
Denise Saunders
Insurance Examiner

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

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

_____/s/
Denise Saunders

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31157

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:

DENISE SAUNDERS

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
MINISTERS AND MISSIONARIES BENEFIT BOARD OF THE AMERICAN BAPTIST
CHURCHES**

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 9th day of April, 2014

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

