



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER NEW YORK

CONDITION:

DECEMBER 31, 2014

DATE OF REPORT:

JULY 17, 2015

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
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OF THE  
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OF THE  
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EXAMINER:

JAMES WANG

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

June 22, 2016

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

Madam:

In accordance with instructions contained in Appointment No. 31329, dated June 26, 2015 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Young Men's Christian Association of Greater New York, hereinafter referred to as the "Fund," at its home office located at 5 West 63<sup>rd</sup> Street New York, New York 10023.

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 recommends that the Fund diversify its investment holdings. (See item 5 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 January 26, 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 Young Men's Christian Association of Greater New York (the "Association"), a New York not-for-profit corporation, is a community service organization founded in 1852 which promotes positive values through programs that build spirit, mind and body, welcoming all people, with a focus on youth. Under the provisions of its by-laws, the Association is permitted to issue gift annuity agreements and it has done so since 2001. A special permit was granted to the Association by the Department on January 26, 2010 authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

Operations related to management, accounting and reporting and charitable donor relationship are handled by the Fund. UBS is the Fund's custodian and investment manager. Comerica is the professional trustee (agent) of the Fund. Comerica manages the Fund's account and program administration, agreements (forms), terminations, tax reporting, annuity payments, reserve calculations and records and reporting.

The management of the Association, the Fund and all of its affairs and property are entrusted to a board of directors. The number of directors is limited to not more than 45 regular voting directors. As of December 31, 2014, the board consisted of 35 directors. The directors elect a chairman, vice chairman, treasurer, secretary and president. The nomination and election procedures of the directors and their term of office are set by the by-laws.

#### 4. CORPORATE GOVERNANCE

The examiner requested the board of directors and committee minutes for the examination period, January 26, 2010 through December 31, 2014. The examiner reviewed the minutes provided by the Fund and determined that the minutes do not contain any evidence that the board of directors, or a committee thereof, approved the purchases and sales of the Fund's 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 during the period under review:

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2014</u>	<u>Increase</u>
Admitted assets	<u>\$230,862</u>	<u>\$447,032</u>	<u>\$216,170</u>
Liabilities	<u>\$179,352*</u>	<u>\$293,355</u>	<u>\$114,003</u>
Minimum required fund balance	\$ 17,935*	\$ 29,336	\$ 11,401
Excess fund balance (surplus)	<u>33,575*</u>	<u>124,341</u>	<u>90,766</u>
Total annuity fund balance	<u>\$ 51,510*</u>	<u>\$153,677</u>	<u>\$102,167</u>
Total liabilities and annuity fund balance	<u>\$230,862</u>	<u>\$447,032</u>	<u>\$216,170</u>

\* The amounts denoted with an asterisk were determined from the amounts reported in the prior year column in the Fund's 2011 Annual Statement.

The increase in assets, liabilities and annuity fund balance reflects an increase in the total number of annuities in force. Annuities increased from six with annual payment amounts of \$20,753 as of December 31, 2010 to a total of nine with annual payment amounts of \$31,503 as of December 31, 2014.

The Fund's admitted assets, as of December 31, 2014, were invested mainly in common stocks (97.96%).

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 19.58% invested in the securities of Double Line Total Return Fund Institutional mutual fund. The Fund's current concentration in the mutual fund makes it highly unlikely that the Fund's other assets could provide a variability to offset the risks inherent in this mutual fund.

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.

## 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. 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 directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5
B	The examiner recommends that the Fund diversify its investment holdings.	7

Respectfully submitted,

\_\_\_\_\_/s/  
James Wang  
Insurance Examiner

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

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

\_\_\_\_\_/s/  
James Wang

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

APPOINTMENT NO. 31329

NEW YORK STATE

**DEPARTMENT OF FINANCIAL SERVICES**

I, ANTHONY J. ALBANESE, Acting 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:

**JAMES WANG**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
YOUNG MEN'S CHRISTIAN ASSOCIATION OF GREATER NEW YORK**

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 26th day of June, 2015

ANTHONY J. ALBANESE  
Acting Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
ASSISTANT CHIEF - LIFE BUREAU

