



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
SALESIAN MISSIONS

CONDITION:

DECEMBER 31, 2012

DATE OF REPORT:

JANUARY 13, 2014

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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EXAMINER:

JOCELYNE TURENE

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Shirin Emami
Acting Superintendent

December 15, 2015

Honorable Shirin Emami
Acting Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 30937, 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 Salesian Missions, hereinafter referred to as “the Fund.” The Fund’s home office is located at 2 Lefevre Lane, New Rochelle, NY 10801.

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 December 31, 2012 filed annual statement. (See item 4 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 5 of this report)

The examiner recommends that the Fund prepare and maintain a written third party agreement to include all of the services to be performed by a third party. (See item 6 of this report)

The examiner recommends that the Fund amend all service agreements to include the Fund's correct name, "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination. (See item 6 of this report)

The examiner recommends that, in the course of conducting operations and financial reporting, the Fund use the name "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination. (See item 6 of this report)

The examiner recommends that the Fund prepare its annual statements in accordance with the Department's instructions. (See item 7 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 violations and 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

The Missionary Society of the Salesian Congregation of the State of New York (hereinafter referred to as the “Society”) was incorporated in the State of New York on February 25, 1907. The name was changed to Salesian Society by a Certificate of Amendment filed with the Department of State on January 5, 1939. Salesian Missions is the fund-raising division of the Society.

The Society is organized for the purposes of doing general missionary work and to promote religious education without profit. It is affiliated with the Roman Catholic Church. Under the provisions of its by-laws, the Society is permitted to issue gift annuity agreements and it has done so since 1973. A special permit was granted to the Society by the Department on October 21, 1983, 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 for the Fund by PG Calc, Inc. The Fund’s annual statement filings are prepared by Dan O’Connell.

The Fund’s custodian is Comerica Bank & Trust National Association. The Fund utilized the services of Morgan Stanley Smith Barney as investment manager of the Fund’s investments.

The management of the Society and the Fund and all of its affairs and property are entrusted to a board of trustees known as the Provincial Council. The number of trustees is limited to six regular voting trustees. As of December 31, 2012, the board consisted of six trustees. The trustees elect a provincial or in his absence the vice provincial, economist, director, assistant director of Salesian Missions Inc., and two competent persons appointed by the provincial in agreement with the director. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

4. SIGNIFICANT FINANCIAL INFORMATION

The following table indicates the Fund's financial growth (decline) during the period under review:

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2012</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$7,323,341</u>	<u>\$7,247,298</u>	<u>\$ (76,043)</u>
Liabilities	<u>\$5,816,071</u>	<u>\$5,543,136</u>	<u>\$(272,935)</u>
Minimum required surplus	\$ 581,607	\$ 554,314	\$ (27,293)
Unassigned funds (surplus)	<u>925,663</u>	<u>1,149,849</u>	<u>224,186</u>
Total surplus	<u>\$1,507,270</u>	<u>\$1,704,162</u>	<u>\$196,892</u>
Total liabilities and surplus	<u>\$7,323,341</u>	<u>\$7,247,298</u>	<u>\$ (76,043)</u>

Note: Any differences are due to rounding.

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 1,391 with annual payment amounts of \$837,047 as of December 31, 2007 to a total of 1,111 with annual payment amounts of \$658,780 as of December 31, 2012.

The increase in surplus reflects an increase in the market value of investments in common stocks. The market value in common stocks increased from \$3,271,184 as of December 31, 2007 to \$4,082,432 as of December 31, 2012.

The Fund's admitted assets, as of December 31, 2012, were mainly invested in bonds (41.16 %) and common stocks (56.33%). All bonds held were investment grade.

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. SERVICE AGREEMENTS

A review of the Fund's response to examination correspondence revealed that Dan O'Connell is a third party that prepares the Fund's annual statements. The examiner requested a copy of the third party agreement with Dan O'Connell and the Fund expressed that it did not maintain a written third party agreement with Dan O'Connell.

The examiner recommends that the Fund prepare and maintain a written third party agreement to include all of the services to be performed by a third party.

The examiner noted that the Fund uses the name "Salesian Missions, Inc." in the annual statements, in various agreements and financial instruments as a party or signatory. A review of the Fund's special permit reveals that the permit was issued under the name "Salesian Missions."

The examiner recommends that the Fund amend all service agreements to include the Fund's correct name, "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination.

The examiner recommends that, in the course of conducting operations and financial reporting, the Fund use the name "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination.

7. ANNUAL STATEMENT REPORTING

The Department's instructions for completing Line 1, Column 1 of the Exhibit of Annuities in Force section of the New York State Segregated Gift Annuity Fund Annual Statement for the year ended December 31, 2011, state:

"Reserve" - The amount reported on Line 1 (i.e., the current year) should agree with the amount reported at Page 2, Line 10b.

The Fund reported the amount on page 2, Line 10 (net present value of annuities) instead of the amount being reported on page 2, Line 10b in the Exhibit of Annuities in Force section of its filed annual statement for the year ended December 31, 2011.

The examiner recommends that the Fund prepare its annual statements in accordance with the Department's instructions.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

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

<u>Item</u>	<u>Description</u>
A	<p>The Fund violated Section 1110(a) of the New York Insurance Law by using annuity agreement forms that were not filed with the Superintendent. A similar comment was contained in the prior report on examination.</p> <p>The Fund filed all annuity agreement forms with the Superintendent.</p>
B	<p>The examiner recommends that the board of trustees or a committee thereof, approve the purchase and sale of all investments, and note such approvals in the board minutes. A similar comment was contained in the prior report on examination.</p> <p>A review of the board minutes and the investment committee minutes revealed that the Fund's purchases and sales of all investments are approved by the board of trustees and the investment committee.</p>
C	<p>The Fund violated Section 312(b) of the New York Insurance Law by failing to maintain statements signed by its board members indicating that they received and read the prior report on examination.</p> <p>The Fund provided statements signed by its board members indicating that they received and read the prior report on examination.</p>
D	<p>The examiner recommends that the Fund maintain current charter and by-laws on its premises.</p> <p>The examiner performed the examination from the Department's offices and the Fund provided its current charter and by-laws in a timely manner.</p>
E	<p>The examiner recommends that the Fund amend the agreement to include the effective date of the custodial agreement.</p> <p>A review of the custodial agreement revealed that the custodial agreement includes the effective date of the agreement.</p>

<u>Item</u>	<u>Description</u>
F	<p>The examiner recommends that the Fund amend all service agreements to include the Fund's correct name "Salesian Missions," as indicated on the special permit.</p> <p>The Fund failed to take corrective action. A similar recommendation is contained in this report. (See item 6 of this report)</p>
G	<p>The examiner recommends that, in the course of conducting operations and financial reporting, the Fund utilize the name "Salesian Missions," as indicated on the special permit.</p> <p>The Fund failed to take corrective action. A similar recommendation is contained in this report. (See item 6 of this report)</p>

9. 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 Fund prepare and maintain a written third party agreement to include all of the services to be performed by a third party.	7
B	The examiner recommends that the Fund amend all service agreements to include the Fund's correct name "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination.	7
C	The examiner recommends that, in the course of conducting operations and financial reporting, the Fund use the name, "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination.	7
D	The examiner recommends that the Fund prepare its annual statements in accordance with the Department's instructions.	8

Respectfully submitted,

_____/s/
Jocelyne Turene
Insurance Examiner

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

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

_____/s/
Jocelyne Turene

Subscribed and sworn to before me
this _____ day of _____

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:

JOCELYNE TURENE

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
SALESIAN MISSIONS**

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 18th day of March, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:



MICHAEL MAFFEI
ASSISTANT DEPUTY SUPERINTENDENT
AND CHIEF OF THE LIFE BUREAU

