



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
INTERNATIONAL PLANNED PARENTHOOD FEDERATION,
WESTERN HEMISPHERE REGION, INC.**

AS OF December 31, 2019

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: February 23, 2021

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

(DATE MAILED TO CO)

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 32135, dated September 18, 2020 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the International Planned Parenthood Federation, Western Hemisphere Region, Inc. The Fund's home office is located at 125 Maiden Lane, New York, NY 10038.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they have received and read any current or future filed report on examination. (See item 3E of this report)

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives. (See item 4A 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, 2019 filed annual statement. (See item 5 of this report)

The examiner recommends that the Fund use gift annuity agreement forms which contain the same wording as those on file with the Superintendent. (See item 6 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department", or "DFS") examination and assessment of the International Planned Parenthood Federation, Western Hemisphere Region, Inc. Segregated Annuity Fund (the "Fund") through which International Planned Parenthood Federation, Western Hemisphere Region, Inc. (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2014. This examination covers the period from January 1, 2015 through December 31, 2019. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2019, but prior to the date of this report (i.e., the completion date of the examination).

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the Corporation or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to adhered to practices or methods of dealing that are regularly observed among similar circumstances.

The Fund is subject to the solvency and examination requirements of New York Insurance Law § 1110 and of New York Insurance Law articles 1, 2, 3, 25, and 74.

The investment of the Fund's required admitted assets is subject to N.Y. Estates, Powers and Trust Law § 11-2.3. The investment of the remainder of the Fund's admitted assets is subject to N.Y. Not-for-Profit Corporation Law Article 5-a. Both establish that the trustees are to invest the assets consistent with prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2019 to determine whether the Fund's filed 2019 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 violation and recommendations contained in the prior report on examination. The results of such review are contained in item 7 of this report.

3. DESCRIPTION OF FUND

A. History

The International Planned Parenthood Federation, Western Hemisphere Region, Inc. was chartered in 1955 and is organized for the purpose of improving the quality of life of individuals by campaigning for sexual and reproductive health and rights through advocacy and services; defending the right of all young people to enjoy their sexual lives free from ill-health, unwanted pregnancy, violence and discrimination; supporting a woman's right to choose to terminate her pregnancy legally and safely; and striving to eliminate sexually transmitted infections and to eradicate HIV/AIDS. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 1998. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on February 10, 2000.

B. Structure

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of directors.

C. Assets under the Board of Directors

As of the December 31, 2019 IRS Form 990, the Corporation's Board of Directors oversaw an endowment comprising \$11,885,094 in total assets. The Fund, as of December 31, 2019, held total admitted assets of \$1,021,270.

D. Third-party Payment Service Provider

Wells Fargo Bank, National Association ("Wells Fargo") is the Fund's custodian. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by Wells Fargo. The investment management function is also performed by Wells Fargo.

E. Oversight Structure

Section 312(b) of the New York Insurance Law states, in part:

"(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report . . ."

The Fund failed to obtain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they have received and read any current or future filed report on examination.

4. INVESTMENT REVIEW

A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to “pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio.”

New York Not-for-Profit Corporation Law § 552(e)(2) requires institutions to adopt “an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution.” New York Not-for-Profit Corporation Law § 552(f) provides that each “institution shall adopt a written investment policy setting forth guidelines on investments ... and delegation of management and investment functions in accord with the standards of this article.”

The examiner’s review of the Fund’s Investment Strategy Statement showed that it does not contain reference to the prudent investor standard, as specified in Section 1110(b) of the New York Insurance Law.

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS’s risk, return, and time horizon objectives.

5. ASSETS AND LIABILITIES SUMMARY

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

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2019</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$1,214,086</u>	<u>\$1,021,270</u>	<u>\$(192,816)</u>
Liabilities	<u>\$ 785,989</u>	<u>\$ 504,425</u>	<u>\$(281,565)</u>
Minimum required fund balance	\$ 78,599	\$ 50,442	\$ (28,157)
Excess fund balance (surplus)	<u>349,498</u>	<u>486,403</u>	<u>116,905</u>
Total annuity fund balance	<u>\$ 428,097</u>	<u>\$ 516,846</u>	<u>\$ 88,749</u>
Total liabilities and annuity fund balance	<u>\$1,214,086</u>	<u>\$1,021,270</u>	<u>\$(192,816)</u>

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 53 with annual payment amounts of \$119,255 as of December 31, 2014 to a total of 48 with annual payment amounts of \$62,322 as of December 31, 2019. The increase in annuity fund balance was due to investment gains.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in equity securities (99.23%).

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.

Section 1110(a) of the New York Insurance Law states, in part:

“. . . Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . .”

The examiner compared Form 1da-D-NY which was used to issue the sole gift annuity during the examination period to the form which was approved by the Superintendent. The form used by the Fund omitted the following words contained in the first paragraph directly after the Fund's address: “A New York not-for-profit corporation”.

The examiner recommends that the Fund use gift annuity agreement forms which contain the same wording as those on file with the Superintendent.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation 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 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.</p> <p>The Fund failed to take corrective action in response to this prior report comment. However, the Investment Committee reviewed the investment portfolio of the Fund annually.</p>
B	<p>The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and reconcile such advices to the monthly statements provided by the custodian.</p> <p>The Fund failed to take corrective action in response to this prior report comment. However, the Fund obtained the SOC 1 report from its investment manager.</p>
C	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings.</p> <p>The Department no longer provides guidance for investment diversification.</p>
D	<p>The examiner recommends that the Fund adopt an Investment Strategy Statement. Such a Statement should refer to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.</p> <p>The Fund adopted an Investment Strategy Statement that did not contain reference to the prudent investor standard. A similar recommendation appears in this report on examination.</p>

<u>Item</u>	<u>Description</u>
E	<p>The Fund violated Section 1110(a) of the New York Insurance Law by utilizing gift annuity agreement forms that were not filed with the Superintendent. This is a repeat violation.</p> <p>During the examination period, the Fund used an annuity agreement form that was not filed with the Superintendent.</p>
F	<p>The examiner recommends that the Fund file all gift annuity agreement forms that were not previously filed with the Superintendent. This is a repeat recommendation.</p> <p>The Fund filed gift annuity agreement forms that were not previously filed with the Superintendent.</p>
G	<p>The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.</p> <p>During the examination period, the Fund has prepared its annual statements according to the Department's instructions.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No.</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board member indicating that they have received and read any current or future filed report on examination.	5
C	The examiner recommends that the Fund adopt an Investment Strategy Statement that refers to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives.	6
D	The examiner recommends that the Fund use gift annuity agreement forms which contain the same wording as those on file with the Superintendent.	8

Respectfully submitted,

/s/
Adelia Gbadamosi
Senior Insurance Examiner

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

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

/s/
Adelia Gbadamosi

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32135

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **LINDA A. LACEWELL**, 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:*

ADELIA GBADAMOSI

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
INTERNATIONAL PLANNED PARENTHOOD FEDERATION, WESTERN HEMISPHERE
REGION, INC.***

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 September, 2020

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



***MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU***

