

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
MARYKNOLL SISTERS OF ST. DOMINIC, INC.

CONDITION:

DECEMBER 31, 2019

DATE OF REPORT:

JULY 7, 2020

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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EXAMINER:

ADELIA GBADAMOSI

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**Department of
Financial Services**

KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

May 10, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32066, dated April 2, 2020 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Maryknoll Sisters of St. Dominic, Inc. The Fund's home office is located at 10 Pinesbridge Road, Maryknoll, New York 10545.

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, 2019 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)

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 Maryknoll Sisters of St. Dominic, Inc. Segregated Annuity Fund (the "Fund") through Maryknoll Sisters of St. Dominic, Inc. (the "Maryknoll Sisters") 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 College 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 recommendations contained in the prior report on examination. The results of such review are contained in item 6 of this report.

3. DESCRIPTION OF FUND

A. History

The Maryknoll Sisters of St. Dominic, Inc. was the first group of Catholic Sisters founded in the United States to devote their lives in overseas missions dedicated to making God's love known through humanitarian pursuits. The Maryknoll Sisters established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1971. A special permit was granted to the Maryknoll Sisters, by the Department on March 3, 2000, for the purpose of issuing gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

B. Third-party Investment and Other Servicers

The Fund's custodian is First State Trust Company. All accounting duties are handled by the Maryknoll Sisters staff. Investment management services are provided by Morgan Stanley Wealth Management. PG Calc manages: annuity payments; tax reporting; reserve calculation; and preparation and filing of the New York State Annual Statement.

C. Oversight Structure

The management of the Maryknoll Sisters and the Fund and all its affairs and property are entrusted to a board of trustees. The number of trustees is limited to no more than seven regular voting trustees. As of December 31, 2019, the board consisted of five trustees. The trustees elect a president, a vice president, a general secretary, an assistant secretary and a treasurer. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

4. ASSETS AND LIABILITIES SUMMARY

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>2014</u>	<u>December 31,</u> <u>2019</u>	<u>(Decrease)</u>
Admitted assets	<u>\$5,922,624</u>	<u>\$4,187,793</u>	<u>\$(1,734,831)</u>
Liabilities	<u>\$4,814,045</u>	<u>\$3,433,371</u>	<u>\$(1,380,674)</u>
Minimum required fund balance	\$ 481,405	\$ 343,337	\$ (138,068)
Excess fund balance (surplus)	<u>627,174</u>	<u>411,085</u>	<u>(216,089)</u>
Total annuity fund balance	<u>\$1,108,579</u>	<u>\$ 754,422</u>	<u>\$_(354,157)</u>
Total liabilities and annuity fund balance	<u>\$5,922,624</u>	<u>\$4,187,793</u>	<u>\$(1,734,831)</u>

The decrease in assets, liabilities and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 334 with annual payment amounts of \$510,744 as of December 31, 2014 to a total of 223 with annual payment amounts of \$374,139 as of December 31, 2019.

The Fund's admitted assets, as of December 31, 2019, were invested mainly in bonds (96.08%) and equity securities (3.43%).

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. 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 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>During the examination period, the board of directors did not approve the purchases and sales of all investments and note such approvals in the minutes. However, the Fund provided evidence that the board of directors reviewed the Fund's investment portfolio.</p>
B	<p>The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate.</p> <p>During the examination period the Fund obtained and maintained copies of the deceased annuitant's death certificate.</p>
C	<p>The examiner recommends Fund contract with a licensed bank or trust company to serve as custodian for the Fund's securities.</p> <p>The Fund has contracted with a licensed bank to serve as custodian for the Fund's securities.</p>

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 _____

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
MARYKNOLL SISTERS OF ST. DOMINIC, 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 2nd day of April, 2020

LINDA A. LACEWELL
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

