



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
METROPOLITAN OPERA ASSOCIATION**

AS OF December 31, 2020

EXAMINER: Philip Youssef

DATE OF REPORT: August 13, 2021

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

August 19, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32224, dated July 30, 2021 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Metropolitan Opera Association, Inc. The Fund's home office is located at 30 Lincoln Center Plaza, New York, NY 10023.

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, 2020 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' (the "Department" or "DFS") examination and assessment of the Metropolitan Opera Association, Inc Segregated Annuity Fund (the "Fund") through which the Metropolitan Opera Association, Inc (the "MOA") provides annuity benefits.

The prior examination was conducted as of December 31, 2015. This examination covers the period from January 1, 2016 through December 31, 2020. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2020 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 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, 2020 to determine whether the Fund's filed 2020 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, recommendations and/or comments 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 Metropolitan Opera Association, Inc, also legally known as the Metropolitan Opera, is a not-for-profit corporation organized for the primary purpose of sustaining, encouraging, and promoting musical art, and educating the general public about music. The MOA established the Fund to issue gift annuity agreements in return for gifts from donors in 1998. The Superintendent of Insurance granted to MOA a Charitable Annuity Society special permit on January 23, 2002.

B. Structure

The management of the MOA and the Fund and all its affairs and property are entrusted to a board of managing directors. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund. The MOA keeps and reviews Fund records, serves as the point of contact for those that have established charitable gift annuities to benefit MOA, or request information about how to do so.

C. Assets under the Board of Managing Directors

As of the July 31, 2020 IRS Form 990, MOA's Board of Managing Directors oversaw an endowment comprising \$263,674,994 in total assets. The Fund, as of December 31, 2020, held total admitted assets of \$2,316,735.

D. Third Party Payment Service Provider

State Street Global Advisors in Boston ("SSGA") administers the charitable gift annuity program.

MOA engages SSGA to administer its charitable gift annuity program, including but not limited to maintaining custody of Fund assets, investing Fund assets in accordance with the MOA's general investment statements to the MOA, maintaining books and records of the Fund, and preparing annual statements. In preparing its Annual Statement, the MOA receives assistance from OS Group, who prepares the filing, and Milliman, who renders an actuarial opinion.

4. 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:

	December 31, <u>2015</u>	December 31, <u>2020</u>	Increase (Decrease)
Admitted assets	\$ <u>3,217,470</u>	\$ <u>2,316,735</u>	\$ <u>(900,735)</u>
Liabilities	\$ <u>2,914,704</u>	\$ <u>1,455,510</u>	\$(<u>1,459,194</u>)
Minimum required fund balance	\$ 291,470	\$ 145,551	\$ (145,919)
Excess fund balance (surplus)	<u>11,296</u>	<u>715,674</u>	<u>704,378</u>
Total annuity fund balance	\$ <u>302,766</u>	\$ <u>861,225</u>	\$ <u>558,459</u>
Total liabilities and annuity fund balance	\$ <u>3,217,470</u>	\$ <u>2,316,735</u>	\$ <u>(900,735)</u>

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 96 with annual payment amounts of \$418,900 as of December 31, 2015 to a total of 61 with annual payment amounts of \$217,021 as of December 31, 2020. The increase in annuity fund balance mostly stems from residuum from annuity terminations being reinvested back in the Fund as an additional reserve. There were 18 terminations with liability balances as of December 31, 2015 that amounted to \$666,449. The related assets amounted to \$583,137 but only \$381,743 was distributed to MOA and \$201,394 remained in the Fund's account. The December 31, 2015 asset values declined by \$381,743 and the \$201,394 left remaining in the account created a further reserve because there was no corresponding liability associated with it. The Fund has ceased accepting new gifts, and consequently, did not issue any new annuity contracts during the examination period.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (84.58%).

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 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 examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and reconcile its record of such transactions to the monthly statements provided by the custodian</p> <p>The examiner determined that State Street had an unqualified opinion in their SOC 1 reports as determined by Ernst & Young.</p>
B	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings. 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.</p> <p>The Department no longer provides guidance for diversification.</p>
C	<p>The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated.</p> <p>The examiner determined that the Fund obtained the proper proof of death for terminated annuitants.</p>
D	<p>The examiner recommends that the Fund prepare its annual statements according to the Department's instructions.</p> <p>The examiner determined that no new discrepancies were discovered during the examiner's review.</p>

Respectfully submitted,

_____/s/
Philip Youssef
Insurance Examiner

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

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

_____/s/
Philip Youssef

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:

PHILIP YOUSSEF

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
METROPOLITAN OPERA ASSOCIATION, INC.***

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 30th day of July, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



*MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU*

