



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES  
REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
JEWISH FEDERATIONS OF NORTH AMERICA, INC.

CONDITION:

DECEMBER 31, 2017

DATE OF REPORT:

SEPTEMBER 6, 2018

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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SEGREGATED GIFT ANNUITY FUND

OF THE

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EXAMINER:

DENISE SAUNDERS

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

Andrew M. Cuomo  
Governor

Linda A. Lacewell  
Superintendent

April 13, 2021

Honorable Linda A. Lacewell  
Superintendent of Financial Services  
New York, New York 10004

Madam:

In accordance with instructions contained in Appointment No. 31736, dated April 13, 2018 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Jewish Federations of North America, Inc., hereinafter referred to as “the Fund,” at its home office located at 25 Broadway, Suite 1700, New York, NY 10004.

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 Fund adopt an Investment Strategy Statement that references 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 3C 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

The prior examination was conducted as of December 31, 2012. This examination covers the period from January 1, 2013 through December 31, 2017. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2017 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, 2017 to determine whether the Fund's filed 2017 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 recommendation contained in the prior report on examination. (See item 6 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

#### A. History

The Jewish Federations of North America Inc. (the “Organization”) is organized to provide fund raising support, organization assistance, training, and overall leadership to the Jewish federations and communities throughout the United States and Canada. The Jewish Federations of North America, Inc. established a program to issue gift annuity agreements in return for gifts from donors in 2002. It issued its last gift annuity in January 2015 and suspended its gift annuity program indefinitely in June of that year. A special permit was granted to the Organization by the Department on September 10, 2004, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law. The special permit was granted to “United Jewish Communities.” Effective March 15, 2010, the Fund’s name changed to “Jewish Federations of North America, Inc.”

#### B. Services

The Fund maintains a custodial and investment management agreement with PNC Bank, National Association (“PNC Bank, N.A.”). PNC Bank, N.A.: issues payments on behalf of the Fund; prepares and distributes tax form 1099-R to annuitants; and makes 1099-R annual reports to the Internal Revenue Service. PNC Bank, NA. also provides a service to calculate annuity reserves. PNC Bank, NA is the Fund’s investment advisor. The Fund contracts with the OS Group to prepare the Fund’s New York State annual statement filing. BDO USA, LLP audits the Organization’s consolidated financial statements. The Fund maintains annuitant data, prepares required state registrations, notices, and annual filings, approves its investment strategy and performs a periodic risk assessment on outstanding obligations.

#### C. Corporate Governance

The management of the Organization and the Fund and all of its affairs and property are entrusted to a board of trustees. The number of trustees is limited to not less than 123 regular voting trustees and up to nine ex-officio trustees with voting privileges. As of December 31, 2017, the board consisted of 127 voting trustees. The trustees elect a chair of the board, chair of the executive board, the vice chair of the board, a treasurer, a secretary, a national campaign chair, a

president, who shall be the chief executive officer, and such other officers, such as assistant secretaries and assistant treasurers as the board may deem necessary to perform such duties that the board may specify at the time of election of such other officers. The nomination and election procedures of the trustees and their terms of office are set by the by-laws.

The examiner's review of the Fund's Investment Strategy Statement revealed that it failed to refer to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law.

The examiner recommends that the Fund adopt an Investment Strategy Statement that references 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.



#### 4. SIGNIFICANT FINANCIAL INFORMATION

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>2012</u>	<u>December 31,</u> <u>2017</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$4,616,629</u>	<u>\$3,658,734</u>	<u>\$ (957,895)</u>
Liabilities	<u>\$3,630,787</u>	<u>\$2,546,432</u>	<u>\$(1,084,355)</u>
Minimum required fund balance	\$ 363,302	\$ 254,643	\$ (108,659)
Excess fund balance (surplus)	<u>622,541</u>	<u>857,659</u>	<u>235,118</u>
Total annuity fund balance	<u>\$ 985,843</u>	<u>\$1,112,302</u>	<u>\$ 126,459</u>
Total liabilities and annuity fund balance	<u>\$4,616,629</u>	<u>\$3,658,734</u>	<u>\$ (957,895)</u>

Note: Any differences are due to rounding.

The decrease in assets and liabilities reflects a reduction in gifts due to the Fund suspending its gift annuity program in 2015. Annual payments decreased from \$459,847 as of December 31, 2012 to \$325,423 as of December 31, 2017; annuities in force decreased from 78 as of December 31, 2012 to 72 as of December 31, 2017. The increase in the annuity fund balance is attributable to gains in investments during the examination period.

The Fund's admitted assets, as of December 31, 2017, were invested mainly in common stocks (93.64%).

## 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 is the recommendation contained in the prior report on examination and the subsequent action taken by the Fund in response to the recommendation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the board of trustees or a committee thereof, approve the purchases and sales of investments, and note such approvals in the minutes.</p> <p>The examiner's review revealed that the Investment Committee approved the individual purchases and sales of the Fund's investments.</p>

## 7. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	<p>The examiner recommends that the Fund adopt an Investment Strategy Statement that references 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>	5



APPOINTMENT NO. 31736

**NEW YORK STATE**

**DEPARTMENT OF FINANCIAL SERVICES**

I, MARIA T. VULLO, 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:

**DENISE SAUNDERS**

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE  
JEWISH FEDERATIONS OF NORTH AMERICA, 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 13th day of April, 2018

MARIA T. VULLO  
Superintendent of Financial Services

By:

*Mark McLeod*

MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU

