



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

MINISTERS AND MISSIONARIES BENEFIT BOARD OF AMERICAN
BAPTIST CHURCHES

CONDITION:

DECEMBER 31, 2018

DATE OF REPORT:

JUNE 14, 2019

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EXAMINER:

JAMES WANG

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

August 21, 2019

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

Madam:

In accordance with instructions contained in Appointment No. 31915, dated May 16, 2019 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Ministers and Missionaries Benefit Board of American Baptist Churches, hereinafter referred to as “the Fund,” at its home office located at 475 Riverside Drive, 17th Floor, New York, NY 10027.

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 Fund violated Section 312(b) of the New York Insurance Law by failing to obtain and maintain 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 received and read the prior report on examination. (See Item 3C of this report)

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. (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)

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. This is a repeat recommendation. (See Item 6 of this report)

2. SCOPE OF EXAMINATION

The prior examination was conducted as of December 31, 2013. This examination covers the period from January 1, 2014 through December 31, 2018. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2018 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, 2018 to determine whether the Fund's filed 2018 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. The results of such review are contained in item 7 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 Ministers and Missionaries Benefits Board of the Northern Baptist Convention was incorporated in New York in 1913. The word “Northern” was changed to “American” on June 15, 1950. The name was again changed to the Ministers and Missionaries Benefit Board of the American Baptist Churches (“the Benefit Board” or “MMBB”), its present name, on March 20, 1974. The Benefit Board is organized to administer funds for the benefit of ministers and missionaries who have served the American Baptist denomination, their spouses, surviving spouses and dependent children. The Benefit Board established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1913. A special permit was granted to the Benefit Board by the New York State Insurance Department on March 25, 1940, 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 by the Fund.

B. Services

The Bank of New York Mellon (BNY Mellon) is the Fund’s custodian. BNY Mellon is responsible for the accounting functions in relation to investments in BNY Mellon Dreyfus funds. PG Calc is responsible for the administration of annuity payments and 1099R reporting. PG Calc also keeps the records of annuitants, including biographical and gift information.

C. Corporate Governance

The management of the Benefit Board and the Fund and all of its affairs and property are entrusted to a board of managers. The number of managers is limited to not less than 13 and no more than 20 regular voting managers. The managers elect a president, one or more vice presidents, a chief executive officer, a corporate secretary, a chief investment officer, a treasurer, a chief financial officer, and such other offices as it may from time to time determine. As of December 31, 2018, the board of managers consisted of 18 members. The nomination and election procedures of the managers and their term of office are set by the MMBB by-laws.

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 examiner’s review revealed the Fund failed to obtain and maintain 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 and maintain 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 received and read the prior report on examination.

The examiner reviewed the Board of Managers and Investment Committee minutes to determine whether the Board of Managers and/or Investment Committee approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the committee performed such approval.

The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.

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>2013</u>	<u>December 31,</u> <u>2018</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	\$ <u>422,604</u>	\$ <u>248,399</u>	\$ <u>(174,205)</u>
Liabilities	\$ <u>243,671</u>	\$ <u>100,297</u>	\$ <u>(143,374)</u>
Minimum required fund balance	\$ 23,568	\$ 8,530	\$ (15,038)
Excess fund balance (surplus)	<u>155,365</u>	<u>139,573</u>	<u>(15,792)</u>
Total annuity fund balance	\$ <u>178,933</u>	\$ <u>148,102</u>	\$ <u>(30,831)</u>
Total liabilities and annuity fund balance	\$ <u>422,604</u>	\$ <u>248,399</u>	\$ <u>(174,205)</u>

The decrease in assets, liabilities and annuity fund balance are due to the passing of many annuitants over the past 5 years, the closing of marketing the charitable gift annuity program to new donors, and actuarial changes as the contracts mature. The charitable gift annuity program is in full run-off mode as the Fund pays out existing obligations while not accepting new gifts.

The Fund's admitted assets, as of December 31, 2018, were invested mainly in money market mutual funds (94.54%).

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. ANNUAL STATEMENT REPORTING

The following discrepancies were noted during the review of the Fund's 2018 annual statement:

1. The Fund reported \$74,171 as net present value of annuities on page 2, line 10 of the annual statement, while \$77,645 was reported in the 2018 reserve listing. The examiner determined that the Fund used the FASB GAAP reserve method instead of the statutory accounting method when reporting the net present value of annuities.
2. The total annuity fund balance reported on page 2 line 20.3 was \$148,102. However, on page 3, line 15, the amount reported was \$148,002.
3. The 2018 reserve listing shows 23 annuities with annuities payable of \$12,786. The exhibit of annuities in the annual statement reported 23 annuities with \$12,666 annuities payable. The examiner determined that the Fund used the FASB GAAP reserve method instead of the statutory accounting method when reporting the net present value of annuities.
4. Exhibit 1, verification of investment income, was left blank. However, the Fund reported \$4,151 on page 3, line 2 as investment income. There is no income reported in Schedule B or in any other schedules.
5. The CUSIP number of the mutual fund security was left blank on Schedule B of the annual statement.

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.

7. 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 each citation:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.</p> <p>The examiner noted additional discrepancies in the preparation of the Fund's annual statement. A similar recommendation appears in this report.</p>

8. SUMMARY AND CONCLUSIONS

Following are the violation and recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain and maintain 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 received and read the prior report on examination.	5
C	The examiner recommends that the board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5
D	The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. This is a repeat recommendation.	8

Respectfully submitted,

_____/s/
James Wang
Senior Insurance Examiner

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

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

_____/s/
James Wang

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31915

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, Acting 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:

JAMES WANG

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
MINISTERS AND MISSIONARIES BENEFIT BOARD OF THE AMERICAN BAPTIST
CHURCHES**

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 16th day of May, 2019

LINDA A. LACEWELL
Acting Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

