



NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES
REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
SALESIAN MISSIONS

CONDITION:

DECEMBER 31, 2017

DATE OF REPORT:

JUNE 27, 2018

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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SEGREGATED GIFT ANNUITY FUND

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EXAMINER:

HUGHROY MIGHTY

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NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Linda A. Lacewell
Superintendent

July 3, 2019

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

Madam:

In accordance with instructions contained in Appointment No. 31745, 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 Salesian Missions, hereinafter referred to as “the Fund,” at its home office located at 2 LeFevre Lane, New Rochelle, NY 10801.

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 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 Fund's board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes. (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)

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 recommendations contained in the prior report on examination. The results of such review are contained in 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 Missionary Society of the Salesian Congregation of the State of New York (hereinafter referred to as the “Society”) was incorporated in New York on February 25, 1907. The name was changed to Salesian Society by a Certificate of Amendment filed with the Department of State on January 5, 1939. Salesian Missions, Inc., came into existence on January 10, 2000, superseding the Salesian Society in North America. Salesian Missions, Inc., is the representative for the global Salesian Society in North America.

The Society is organized for the purposes of doing general missionary work and to promote religious education without profit. It is affiliated with the Roman Catholic Church. The Society established a program to issue gift annuity agreements in return for gifts from donors, and it has done so since 1973. A special permit was granted to the Society by the Department on October 21, 1983, authorizing it to issue gift annuity agreements as specified in Section 1110 of the New York Insurance Law.

B. Services

All operations related to the issuance, maintenance and settlement of annuity agreements are handled for the Fund by PG Calc, Inc. The Fund’s annual statement filings are prepared by Dan O’Connell. Dan O’Connell performs other financial, accounting and tax services as requested.

The Fund’s custodian is Comerica Bank & Trust. The Fund utilized the services of Morgan Stanley as investment manager of the Fund’s investments.

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 six regular voting trustees. As of December 31, 2017, the board consisted of six trustees. The trustees elect a provincial or in his absence the vice provincial, comptroller, director, assistant director of Salesian Missions Inc., and two competent persons appointed by the provincial in agreement with the director. The nomination and election procedures of the trustees and their terms of office are set by the 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 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 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 requested the minutes of the board of trustees and all committees thereof for the examination period. The Fund provided the examiner with a copy of the board and finance committee meetings conducted in 2018 only, which is after the end of the examination period.

The examiner recommends that the Fund’s board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.

The examiner reviewed the Investment Committee minutes to determine whether the Investment Committee approved the purchases and sales of investments during the examination period. The minutes did not contain any indication that the committee approved the purchases and sales of investments during the examination period.

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>2012</u>	<u>December 31,</u> <u>2017</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$7,247,298</u>	<u>\$9,895,396</u>	<u>\$2,648,098</u>
Liabilities	<u>\$5,543,136</u>	<u>\$4,999,650</u>	<u>\$ (543,486)</u>
Minimum required fund balance	\$ 554,314	\$ 480,126	\$ (74,188)
Excess fund balance (surplus)	<u>1,149,848</u>	<u>4,415,620</u>	<u>3,265,772</u>
Total annuity fund balance	<u>\$1,704,162</u>	<u>\$4,895,746</u>	<u>\$3,191,584</u>
Total liabilities and annuity fund balance	<u>\$7,247,298</u>	<u>\$9,895,396</u>	<u>\$2,648,098</u>

The increase in assets stems from increases in gifts resulting from a multimedia marketing campaign. The decrease in liabilities reflects an increase in terminated participants supported by demographic trends. The increase in the annuity fund balance reflects gains in investments and investment income.

Annuities decreased from 1,111 with annual payment amounts of \$658,780 as of December 31, 2012 to a total of 892 with annual payment amounts of \$572,750 as of December 31, 2017. The Fund's admitted assets, as of December 31, 2017, were invested mainly in common stocks (57.47%) and bonds (37.97%). All bonds held were investment grade.

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 Fund prepare and maintain a written third-party agreement to include all of the services to be performed by a third party.</p> <p>The Fund maintains a written third-party agreement to include all of the services to be performed by a third party.</p>
B	<p>The examiner recommends that the Fund amend all service agreements to include the Fund's correct name "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination.</p> <p>The Fund has amended all service agreements to include the Fund's correct name "Salesian Missions," as indicated on the special permit.</p>
C	<p>The examiner recommends that, in the course of conducting operations and financial reporting, the Fund use the name, "Salesian Missions," as indicated on the special permit. A similar recommendation was contained in the prior report on examination.</p> <p>The Fund used the name "Salesian Missions," as indicated on the special permit, in all documentation relating to financial reporting and operations.</p>
D	<p>The examiner recommends that the Fund prepare its annual statements in accordance with the Department's instructions.</p> <p>The examiner noticed no new discrepancies in his review of the Fund's filed annual statements.</p>

7. 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 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 Fund's board of trustees, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.	5
D	The examiner recommends that the Fund board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes.	5

Respectfully submitted,

_____/s/
Hughroy Mighty
Insurance Examiner

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

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

_____/s/
Hughroy Mighty

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 31745

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:

HUGHROY MIGHTY

as a proper person to examine the affairs of the

**SEGREGATED GIFT ANNUITY FUND OF THE
SALESIAN MISSIONS**

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 13th day of April, 2018

MARIA T. VULLO
Superintendent of Financial Services

By:

Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

