



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ROCHESTER REGIONAL HEALTH FOUNDATION**

AS OF December 31, 2018

EXAMINER: James Wang

DATE OF REPORT: June 28, 2019

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

February 3, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 31923, 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 Rochester Regional Health Foundation, at its home office located at 100 Kings Highway South, Rochester, NY 14617.

The report indicating the results of this examination is respectfully submitted.

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund submit to the Superintendent any gift annuity agreement forms that would be used after the January 1, 2018 merger, in which the Fund changed its name to Rochester Regional Health Foundation. (See item 5 of the report)

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract. (See item 5 of the report)

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. (See item 6 of the 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 Rochester Regional Health Foundation Segregated Annuity Fund (the "Fund") through which Rochester Regional Health Foundation (the "Foundation") provides annuity benefits.

This is the first examination of the Fund since it received its special permit to issue gift annuity agreements in 2014. 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).

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, 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.

3. DESCRIPTION OF FUND

A. History

Rochester Regional Health Foundation is an affiliate of Rochester Regional Health (RRH) and was chartered in 1978. The mission of the Foundation is to provide funds to or for the benefit of RRH and affiliates. RRH is the sole member of the Foundation. The Rochester Regional Health Foundation was formed on January 1, 2017 because of a merger between the Rochester General Hospital Foundation (RGHF) and Unity Health Foundation (UHF). Each foundation had their own charitable gift annuity program. The Foundation established the Fund to issue gift annuity agreements in return for gifts from donors in 2006. The Superintendent of Financial Services granted to the Foundation a Charitable Annuity Society special permit on July 22, 2014. Effective January 1, 2018, both CGA programs merged and became the Rochester Regional Health Foundation (RRHF) as approved by the Department.

B. Structure

The management of the Foundation and the Fund and all of its affairs and property are entrusted to a board of directors. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Foundation.

C. Assets under the Board of Directors

As of the December 31, 2018 IRS Form 990, the Foundation's Board of Directors oversaw an endowment comprising \$15,180,145 in total assets. The Fund, as of December 31, 2018, held total admitted assets of \$1,692,010.

D. Third-party Payment Service Provider

Investments are managed by the RRH Investment Committee using NEPC as an investment consultant. Key Bank is the custodian of the Fund's assets. The Foundation uses PG Calc to monitor, track and calculate CGA reserves and annuity payments.

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:

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2018</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$1,579,993</u>	<u>\$1,692,010</u>	<u>\$ 112,017</u>
Liabilities	<u>\$1,434,645</u>	<u>\$1,093,766</u>	<u>\$(340,879)</u>
Minimum required fund balance	\$ 143,464	\$ 109,377	\$ (34,087)
Excess fund balance (surplus)	<u>1,884</u>	<u>488,867</u>	<u>486,983</u>
Total annuity fund balance	<u>\$ 145,348</u>	<u>\$ 598,244</u>	<u>\$ 452,896</u>
Total liabilities and annuity fund balance	<u>\$1,579,993</u>	<u>\$1,692,010</u>	<u>\$ 112,017</u>

The increase in assets is due to investment gains. The decrease in liabilities is due to the increased age of the annuitants. The increase in the excess fund balance and annuity fund balance is tied to gains in investment performance as well as the increased age of the annuitants.

The Fund's admitted assets, as of December 31, 2018, were entirely invested in other invested assets.

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.

The examiner reviewed the Fund's gift annuity agreement forms used for annuities issued in New York during the examination period. The examiner noted that for policy forms reviewed, the Fund did not file with the Superintendent the updated gift annuity agreement forms after its January 1, 2018 merger and its name change to Rochester Regional Health Foundation.

The examiner recommends that the Fund submit to the Superintendent any gift annuity agreement forms that would be used after the January 1, 2018 merger, in which the Fund changed its name to Rochester Regional Health Foundation.

The examiner's review of a sample of the only annuity contract terminated revealed that the Fund did not obtain a copy of the death certificate to confirm termination of the annuity contract.

The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.

6. ANNUAL STATEMENT REPORTING

Based on the review of the Fund's 2018 annual statement, the Fund failed to complete the Exhibit of Annuities In Force section for 2014-2017.

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

7. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund submit to the Superintendent any gift annuity agreement forms that would be used after the January 1, 2018 merger, in which the Fund changed its name to Rochester Regional Health Foundation.	6
B	The examiner recommends that upon the death of an annuitant, the Fund obtain and maintain a death certificate or other reliable documentary evidence that supports such information terminating an annuity contract.	6
C	The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.	7

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. 31923

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
ROCHESTER REGIONAL HEALTH FOUNDATION**

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
DEPUTY CHIEF - LIFE BUREAU

