REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

AMERICAN COMMITTEE FOR THE WEIZMANN INSTITUTE OF SCIENCE, INC.

AS OF December 31, 2020

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: January 18, 2022

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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AMERICAN COMMITTEE FOR THE WEIZMANN INSTITUTE OF SCIENCE, INC.

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DECEMBER 31, 2020

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EXAMINER: ADELIA GBADAMOSI

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March 21, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32208, dated April 6, 2021 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Committee for the Weizmann Institute of Science, Inc. The Fund's home office is located at 633 Third Avenue, New York, New York 10017.

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

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials. (See item 4A of this report)

The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of $749 in 2016, $1,070 in 2017, $547 in 2018, $370 in 2019 and $228 in 2020. (See item 5 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 6 of this report)

The examiner recommends that the Fund comply with the Department's maximum payout rates going forward. (See item 7 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' ("Department" or "DFS") examination and assessment of the American Committee for the Weizmann Institute of Science, Inc. Segregated Annuity Fund (the "Fund") through which the American Committee for the Weizmann Institute of Science, Inc. (the "Corporation") 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 Corporation or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to 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 violation and recommendations contained in the prior report on examination. The results of such review are contained in item 8 of this report.

3. DESCRIPTION OF FUND

A. History

The American Committee for the Weizmann Institute of Science, Inc. was chartered in 1944 and is organized for the purpose of soliciting, raising, receiving and maintaining funds to aid in the establishment, development, maintenance and advancement of the Weizmann Institute of Science, a scientific and educational institution located in Israel, which includes the Feinberg Graduate School of the Weizmann Institute of Science, an education corporation chartered by the Regents of the State of New York with its principal operations located at the Weizmann Institute of Science. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 1994. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on December 6, 1996.

B. Structure

The management of the Corporation 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 Fund.

C. Assets under the Board of Directors

As of the June 30, 2020 IRS Form 990, the Corporation's Board of Directors oversaw an endowment comprising $628,389,000 in total assets. The Fund, as of December 31, 2020, held total admitted assets of $9,570,857.

D. Third-Party Payment Service Provider

State Street Bank and Trust Company ("State Street") is the Fund's custodian. State Street also sends annual IRS Form 1099Rs and annuity benefit payment checks to annuitants in accordance with the terms of the gift annuity contracts.

4. INVESTMENT REVIEW

A. Investment Policy Statement

New York Estate Powers and Trust Law § 11-2.3(b)(3)(A) requires trustees to "pursue an overall investment strategy to enable the trustee[s] to make appropriate present and future distributions to or for the benefit of the beneficiaries under the governing instrument, in accordance with risk and return objectives reasonably suited to the entire portfolio."

New York Not-for-Profit Corporation Law § 552(e)(2) calls for "an overall investment strategy having risk and return objectives reasonably suited to the fund and to the institution." New York Not-for-Profit Corporation Law § 552(f) states that each "institution shall adopt a written investment policy setting forth guidelines on investments … and delegation of management and investment functions in accord with the standards of this article."

State Street is also the Fund's investment adviser, as well as custodian.

The Corporation prepared and provided a custom-tailored investment policy statement ("IPS") to the Fund that the Fund provided as its adopted IPS.

The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.

5. 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, 2015	December 31, 2020	Increase (Decrease)
Admitted assets	$11,744,236	$9,570,857	$(2,173,379)
Liabilities	$ 8,162,116	$5,943,269	$(2,218,847)
Minimum required fund balance	$ 816,212	$ 594,327	$ (221,885)
Excess fund balance (surplus)	2,765,908	3,033,261	267,353
Total annuity fund balance	$ 3,582,120	$3,627,588	$ 45,468
Total liabilities and annuity fund balance	$11,744,236	$9,570,857	$(2,173,379)

The decrease in assets was due to the terminations of gift annuities and unfavorable market conditions. The decrease in liabilities was due to the decrease in assets that relate to terminated gift annuities throughout the years under examination. Annuities decreased from 362 with annual payment amounts of $1,266,072 as of December 31, 2015, to a total of 255 with annual payment amounts of $731,909 as of December 31, 2020.

The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of $749 in 2016, $1,070 in 2017, $547 in 2018, $370 in 2019 and $228 in 2020.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (99.57%).

6. 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.

7. ANNUITY RATES

During a review of a sample of 10 annuities issued during the examination period, it was determined that in 3 instances (30%) the Fund used annuity payout rates which exceeded those allowable by Section 1110(a) of the New York Insurance law.

The examiner recommends that the Fund comply with the Department's maximum payout rates going forward.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation, recommendations and comment contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

Item	Description
A	The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and that this documentation be reviewed on a timely basis and reconciled to the applicable custodial statements for that period. The Fund failed to take corrective action in response to this prior report violation. However, the Fund obtained the SOC 1 report from its investment manager which had an unqualified opinion.
B	The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of $936 in 2011, $1,251 in 2012, $1,007 in 2013, $1,015 in 2014 and $830 in 2015. The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of $749 in 2016, $1,070 in 2017, $547 in 2018, $370 in 2019 and $228 in 2020.
C	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 to deviate from such a recommendation, then it should memorialize the reasons for that determination in terms of the Investment Strategy Statement's risk, return, and time horizon parameters. The Department no longer provides specific guidance for diversification.
D	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. During the examination period the Fund used gift annuity agreement forms that were filed with the Superintendent.

Item	Description
E	The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent. The Fund filed with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.
F	The examiner recommends that the Fund at all times maintain in the annuity policy files, all correspondence or records as to the date the Fund receives notification of the date of death of the annuitant. The Fund maintained in the annuity policy files, all correspondence or records as to the date the Fund received notification of the date of the death of the annuitant.
G	The examiner recommends that the Fund obtain and maintain a copy of each deceased annuitant's death certificate. The Fund provided digital copies of some death certificates. Those in hard copy format in the Corporation's office could not be provided as the Fund was working remotely due to COVID-19 and employees were unable to enter the office.

9. SUMMARY AND CONCLUSIONS

Following are the recommendations and comment contained in this report:

Item	Description	Page No.
A	The examiner recommends that the Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegees to that investment policy and statutory guidance and that it memorialize those reviews in either board minutes or materials.	5
B	The Fund was involved in securities lending in all years during the examination period. The Fund reported investment income from securities lending of $749 in 2016, $1,070 in 2017, $547 in 2018, $370 in 2019 and $228 in 2020.	6
C	The examiner recommends that the Fund comply with the Department's maximum payout rates going forward.	8

Respectfully submitted,

/s/
Adelia Gbadamosi
Senior Insurance Examiner

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

ADELIA GBADAMOSI, being duly sworn, deposes and says that the foregoing report, subscribed by her, is true to the best of her knowledge and belief.

/s/
Adelia Gbadamosi

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32208

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:*

ADELIA GBADAMOSI

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE AMERICAN COMMITTEE FOR THE WEIZMANN INSTITUTE OF SCIENCE, 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 6th day of April, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU