



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
JUILLIARD SCHOOL**

AS OF December 31, 2021

EXAMINER: Hasan Ahmed

DATE OF REPORT: May 30, 2023

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

JUILLIARD SCHOOL

AS OF

DECEMBER 31, 2021

DATE OF REPORT:

MAY 30, 2023

EXAMINER:

HASAN AHMED

TABLE OF CONTENTS

<u>ITEM</u>		<u>PAGE NO.</u>
1.	Executive summary	2
2.	Scope of examination	3
3.	Description of Fund	4
	A. History	4
	B. Structure	4
	C. Assets under the board of trustees	4
	D. Third party payment service provider	4
	E. Oversight structure	4
4.	Assets and liabilities summary	5
5.	Treatment of annuitants	6
6.	Prior report summary and conclusions	7
7.	Summary and conclusions	9

KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

August 31, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32377, dated November 23, 2022, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Juilliard School. The Fund's home office is located at 60 Lincoln Center Plaza, New York, NY 10023.

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

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund uses on all annuity benefit checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York. (See item 3E of this report)

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. 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. (See item 5 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' (the "Department") examination and assessment of the Juilliard School (the "Fund") through which the Juilliard School (the "School") provides annuity benefits.

The prior examination was conducted as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2021 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 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, 2021 to determine whether the Fund's filed 2021 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 6 of this report.

3. DESCRIPTION OF FUND

A. History

The Juilliard School is organized for the purpose of educating talented musicians, dancers and actors so that they may achieve the highest artistic standards. The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 1995. The Superintendent of Insurance granted to the School a Charitable Annuity Society special permit on July 1, 1997.

B. Structure

The Fund is overseen by the School's board of trustees. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

C. Assets under the Board of Trustees

As of the June 30, 2021 audited financial statement, the School's Board of Trustees oversaw net assets comprising \$1,382,294,774 in total assets. The Fund, as of December 31, 2021, held total admitted assets of \$5,765,737.

D. Third Party Payment Service Provider

BNY Mellon is the Fund's custodian and investment manager. The Fund has a service agreement with the BNY Mellon for certain accounting/administrative related services. Those services include the preparation of annual statements, tax forms including Form 1099, and distributions of annuity payments to the annuitants.

E. Oversight Structure

The examiner's review of a sample of benefit payments made to annuitants during the examination period revealed that the Fund's name did not appear on the annuity benefit checks.

The examiner recommends that the Fund uses on all annuity benefit checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.

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:

	December 31, <u>2016</u>	December 31, <u>2021</u>	<u>Increase</u>
Admitted assets	<u>\$5,990,541</u>	<u>\$5,765,737</u>	<u>\$ (224,804)</u>
Liabilities	<u>\$3,880,958</u>	<u>\$2,584,754</u>	<u>\$(1,296,204)</u>
Minimum required fund balance	\$ 388,096	\$ 258,475	\$ (129,621)
Excess fund balance (surplus)	<u>1,721,487</u>	<u>2,922,507</u>	<u>1,201,020</u>
Total annuity fund balance	<u>\$2,109,583</u>	<u>\$3,180,983</u>	<u>\$ 1,071,400</u>
Total liabilities and annuity fund balance	<u>\$5,990,541</u>	<u>\$5,765,737</u>	<u>\$ (224,804)</u>

The decrease in assets and liabilities is due to a decline in annuities from 66 with annual payment amounts of \$466,002 as of December 31, 2016 to a total of 58 with annual payment amounts of \$308,579 as of December 31, 2021. The increase in annuity fund balance stemmed from investment returns, and, to a lesser degree, new gifts.

The Fund's admitted assets, as of December 31, 2021, were invested in equity securities (97.82%).

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's review of a sample of 6 newly issued gift annuities by the Fund during the examination period noted that in 6 of the 6 (100%) gift annuity contracts reviewed, the Fund used forms that differed from the gift annuity agreements filed with the Superintendent. In one form, the deviating annuity contract in the sample had additional language added to the form which was not included in the accepted policy form on file with the Department. Additionally, the Fund failed to include the "Payment Correction" clause in the entire sample. Further, the Fund used forms whose numbers deviated from those on file with the Department. The form number used in all instances was TJS-1-I.

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. 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.

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 Fund violated Section 312(b) of the New York Insurance Law by failing to obtain and maintain signed statements from all board members indicating that they received and read the prior report on examination</p> <p>The Fund obtained and maintained signed statements from all board members indicating that they received and read the prior report on examination.</p>
B	<p>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. This is a repeat recommendation.</p> <p>The Fund obtained and maintained the signature of each board member indicating that they received and read the prior report on examination.</p>
C	<p>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.</p> <p>The board of trustees reviews the investment portfolio of the Fund at least annually and notes the same in the minutes.</p>
D	<p>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 not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.</p> <p>The Department no longer provides specific guidance on the diversification of its investment holdings.</p>

<u>Item</u>	<u>Description</u>
E	<p>The examiner recommends that the Fund avoid or mitigate situations that have the appearance of a conflict of interest, by paying greater scrutiny to any high concentrations in investments that are either issued or sponsored by the investment advisor and establishing a Board of Directors (or a committee thereof) or senior management-level policy or procedures related to conflicts of interest for investment advisors.</p> <p>The Department no longer provides specific guidance on the diversification of its investment holdings in relation to conflicts of interest.</p>
F	<p>The examiner recommends that the Fund prepare its filed annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.</p> <p>The examiner noted no new discrepancies during his review.</p>
G	<p>The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements.</p> <p>The Fund prepared and maintained a trial balance, general ledger and transaction registers that reconcile to its 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 examiner recommends that the Fund uses on all annuity benefit checks the name it agreed to by board resolution as part of its permit application to the Department for a special permit to issue charitable gift annuities in New York.	4
B	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.	6
C	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.	6

Respectfully submitted,

_____/s/
Hasan Ahmed
Senior Insurance Examiner

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

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

_____/s/
Hasan Ahmed

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32377

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

*I, **ADRIENNE A. HARRIS**, 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:*

HASAN AHMED

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
JUILLIARD SCHOOL***

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 23rd day of November, 2022

ADRIENNE A. HARRIS
Superintendent of Financial Services

By:



MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU

