REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
JEWISH MUSEUM

AS OF December 31, 2021

EXAMINER: Manish Gera

DATE OF REPORT: January 18, 2023

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

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August 24, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32376, dated July 14, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Jewish Museum. The Fund's home office is located at 1109 Fifth Avenue, New York, NY 10128.

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

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund use on all bank and investment statements 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 examiner recommends that the Investment Strategy Statement be approved by the board of trustees. (See item 4A of this report)

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 examiner recommends that the Board of Trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes. (See item 4B of this 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 6 of this report)

2. SCOPE OF EXAMINATION

This Scope of Examination summarizes the nature of the Superintendent of the Department of Financial Services' examination and assessment of the Jewish Museum Segregated Gift Annuity Fund (the "Fund") through which Jewish Museum (the "Museum") provides annuity benefits.

This report outlines DFS's supervisory expectations or priorities and articulates DFS's general views regarding the exceptional circumstances where the Foundation or Fund, in relation to their annuity activities, could have better satisfied statutory standards or to have 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 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).

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.

3. DESCRIPTION OF FUND

A. History

The Jewish Museum is organized for the purpose of enjoyment, understanding, and preservation of the artistic and cultural heritage of the Jewish people through its unparalleled collection, distinguished exhibitions, and related education programs. The Museum established the Fund to issue gift annuity agreements in return for gifts from donors in 1997. The Superintendent of Insurance granted to the Museum a Charitable Annuity Society special permit on April 25, 2003.

B. Structure

The management of the Museum and the Fund and all of its affairs and property are entrusted to a board of trustees. The Museum maintains donor contact with both current and potential donors. As fiduciaries, the Museum regularly reviews the performance of the Fund's investments as well as the various service providers of the Fund.

C. Assets under the Board of Trustees

As of the June 30, 2021 audited financial statement, the Museum's Board of Trustees oversaw an endowment consisting of 63 individual funds comprising $140,752,913 in total assets. The Fund, as of December 31, 2021, held total admitted assets of $1,027,745.

D. Third-party Payment Service Provider

First State Trust Company is the custodian of the fund's assets. Cornerstone Advisors Asset Management, LLC manages the investments of the Fund and act as the "back office" for the various functions that the Fund performs. Cornerstone has hired PG Calc to provide the database of gifts, make payments and provide the reserve and liability reporting required for the Fund and the annual filings. The fund utilizes OSGroup for the preparation of annual reports that are submitted to the Department.

E. Oversight Structure

The examiner reviewed the Fund's Bank/investment statements and noted that in some instances the Fund used the name of the Jewish Museum instead of the name of the Segregated Gift Annuity Fund of the Jewish Museum that appears on the statement.

The examiner recommends that the Fund use on all bank and investment statements 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. INVESTMENT REVIEW

A. Investment Strategy 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) requires institutions to adopt "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) provides 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."

Interrogatory 18 in the Fund's filed 2021 annual statement states the following:

> "Has the board or other governing body of the segregated gift annuity fund adopted an Investment Strategy Statement specifying guidelines for the investment of the fund's assets?"

The examiner's review of the Fund's filed 2021 annual statement showed that the Fund answered "yes" to interrogatory 18. The examiner's review of the Fund's Investment Strategy Statement ("ISS") revealed that the board did not approve the ISS. Therefore, the Fund failed to answer interrogatory 18 in the 2021 annual statement correctly.

The examiner recommends that the Investment Strategy Statement be approved by the board of trustees.

Cornerstone Advisors Asset Management, LLC is the Fund's investment adviser.

Cornerstone Advisors Asset Management, LLC prepared and provided a form investment strategy statement ("ISS") for the Fund. The Fund adopted that form as its ISS.

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.

B. Monitoring

The examiner reviewed the Board of Trustees minutes to determine if the board had been provided with a report concerning the Fund's investment of required admitted assets. The minutes did not contain any indication that the board was provided with a report concerning the Fund's investment of required admitted assets.

The examiner recommends that the Board of Trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.

5. ASSETS & 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, 2016	December 31, 2021	Increase
Admitted assets	$1,353,481	$1,027,745	$(325,736)
Liabilities	$1,216,900	$ 856,613	$(360,287)
Minimum required fund balance	$ 121,690	$ 85,661	$ (36,029)
Excess fund balance (surplus)	14,891	85,471	70,580
Total annuity fund balance	$ 136,581	$ 171,132	$ 34,551
Total liabilities and annuity fund balance	$1,353,481	$1,027,745	$(325,736)

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 20 with annual payment amounts of $195,837 as of December 31, 2016 to a total of 10 with annual payment amounts of $171,765 as of December 31, 2021. The annuity fund balance increased due to the gains of the market as well as due to additional excesses that were generated through overall investment performance.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in equity securities (98.57%).

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.

The examiner's review of a sample of 6 annuity contracts terminated revealed that in 2 of the 6 cases (33.33%) reviewed, 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.

7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation contained in the prior report on examination and the subsequent actions taken by the Fund in response to each citation:

Item	Description
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain statements signed by its board members indicating that they received and read the prior report on examination. The Fund has complied with the recommendation.
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. The Fund has complied with the recommendation.
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 not to diversify, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters. The Department no longer provides specific guidance for diversification.
D	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. The Fund has not complied with the recommendation. A similar recommendation appears in this report on examination.
E	The examiner recommends that the Fund prepare its annual statements according to the Department's instructions. The Fund has complied with the recommendation.

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

Item	Description	Page No(s).
A	The examiner recommends that the Fund use on all bank and investment statements 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.	5
B	The examiner recommends that the Investment Strategy Statement be approved by the board of trustees.	6
C	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.	6
D	The examiner recommends that the Board of Trustees, or a committee thereof, be provided, at least annually, with a report concerning the Fund's investment of required admitted assets and note such in the minutes.	7
E	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.	9

Respectfully submitted,

/s/
Manish Gera
Insurance Examiner

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

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

/s/
Manish Gera

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32376

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:*

MANISH GERA

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE JEWISH MUSEUM

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 14th day of July, 2022

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU