



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
STUDENT CONSERVATION ASSOCIATION, INC.  
AS OF DECEMBER 31, 2021**

**EXAMINER: Adelia Gbadamosi**

**DATE OF REPORT: May 10, 2023**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

August 30, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32391, dated November 22, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Student Conservation Association. The Fund's home office is located at 689 River Road, Charleston, NH 03603.

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 examiner recommends that the Board of Directors, 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's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2021 filed annual statement. (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)

## 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 Student Conservation Association Annuity Fund (the "Fund") through which the Student Conservation Association (the "Corporation") 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 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, 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 recommendations contained in the prior report on examination. The results of such review are contained in item 7 of this report.

### 3. DESCRIPTION OF FUND

#### A. History

The Student Conservation Association, Inc. is organized for the purpose of seeking and enlisting the voluntary services of conservation-minded people to assist and cooperate with federal, state, and local forest, recreation and conservation services in maintaining the natural resources, beauty, and cultural heritage of the nation's parks, forests and public lands. The Corporation established the Fund to issue gift annuity agreements in 1998. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on July 17, 2003.

#### B. Structure

The management of the Corporation and the Fund and all of its affairs and property are entrusted to the board of directors. The Fund solicits new business from potential annuitants and deposits amounts received into its annuity account with Boston Private Wealth Management, which was purchased by Silicon Valley Bank.

#### C. Assets under the Board of Directors

As of the March 31, 2022 IRS Form 990, the Corporation's Board of Directors oversaw an endowment comprising \$6,217,217 in total assets. The Fund, as of December 31, 2021, held total admitted assets of \$2,803,150.

#### D. Third Party Payment Service Provider

Boston Private Wealth Management, a division of Silicon Valley Bank, is the custodian of the Fund's assets and investment manager. All annuity benefit payments are made by PG Calc which also calculates the Fund's reserves.

#### 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) 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.”

The Corporation prepared and provided a custom-tailored investment policy statement (“IPS”) for itself and the Fund. The Fund adopted that form as its 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 delegates 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 Directors 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 Directors, 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 AND LIABILITIES SUMMARY

The following summary table indicates the growth 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>1,274,146</u>	\$ <u>2,803,150</u>	\$ <u>1,529,004</u>
Liabilities	\$ <u>1,208,335</u>	\$ <u>1,888,553</u>	\$ <u>680,218</u>
Minimum required fund balance	\$ 120,833	\$ 188,855	\$ 68,022
Excess fund balance (surplus)	<u>(55,022)</u>	<u>725,742</u>	<u>780,764</u>
Total annuity fund balance	\$ <u>65,811</u>	\$ <u>914,597</u>	\$ <u>848,786</u>
Total liabilities and annuity fund balance	\$ <u>1,274,146</u>	\$ <u>2,803,150</u>	\$ <u>1,529,004</u>

The increase in assets, annuity fund balance, and liabilities reflect larger gift amounts and gains in the value of the Fund's investments. However, annuities decreased from 156 with annual payment amounts of \$149,858 as of December 31, 2016 to 145 with annual payment amounts of \$209,788 as of December 31, 2021. The decrease during the examination period also reflects annuity terminations although some balances remained in the contracts.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in equity securities (97.14%).

## 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. 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:

<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 the board members indicating that each board member obtained and read the prior report on examination.</p> <p>The Fund obtained and maintained signed statements from the board members.</p>
B	<p>The examiner recommends that the board of directors comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the statement of each board member indicating that they received and read the prior report on examination.</p> <p>The board of directors complied with Section 312(b) of the New York Insurance Law.</p>
C	<p>The examiner recommends that the board of directors, or a committee thereof, document its review of the Fund's purchase and sale of investments at least annually in the board minutes.</p> <p>For the second straight examination, the Fund again failed to provide any proof of board-level review of the Fund's purchase and sale of investments. A similar recommendation appears in this report on examination.</p>
D	<p>The examiner recommends that the Fund strengthen the diversification of its investment holdings.</p> <p>The Department no longer provides specific guidance for investment diversification.</p>
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 for investment diversification relating to conflicts of interest.</p>

<u>Item</u>	<u>Description</u>
F	<p>The Fund is underfunded by \$55,022 as of December 31, 2016.</p> <p>During the examination period, the Fund has held adequate reserves and maintained sufficient admitted assets.</p>
G	<p>The Fund violated Section 1110(b) of the New York Insurance Law by failing to maintain sufficient admitted assets.</p> <p>During the examination period, the Fund has held adequate reserves and maintained sufficient admitted assets.</p>
H	<p>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.</p> <p>During the examination, the obtained and maintained a death certificate that supports such information terminating an annuity contract.</p>
I	<p>The examiner recommends that the Fund prepare its listing of reserves in accordance with the Department's instructions.</p> <p>During the examination period, the Fund prepared its listing of reserves in accordance with the Department's instructions.</p>

## 8. 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 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 examiner recommends that the Board of Directors, 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

Respectfully submitted,

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/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. 32391*

*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:*

***ADELIA GBADAMOSI***

*as a proper person to examine the affairs of the*

***SEGREGATED GIFT ANNUITY FUND OF THE  
STUDENT CONSERVATION ASSOCIATION, 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 22nd day of November, 2022*

*ADRIENNE A. HARRIS  
Superintendent of Financial Services*

*By:*



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***MARK MCLEOD  
DEPUTY CHIEF - LIFE BUREAU***

