REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ALBANY MEDICAL CENTER FOUNDATION, INC.

AS OF December 31, 2021

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: February 10, 2023

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

ALBANY MEDICAL CENTER FOUNDATION, INC.

AS OF

DECEMBER 31, 2021

DATE OF REPORT: FEBRUARY 10, 2023

EXAMINER: ADELIA GBADAMOSI

TABLE OF CONTENTS

ITEM		PAGE NO.
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
4.	Investment review	5
	A. Investment policy statement	5
5.	Assets and liabilities summary	6
6.	Treatment of annuitants	7
7.	Prior report summary and conclusions	8
8.	Summary and conclusions	9

March 27, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32363, dated March 31, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of Albany Medical Center Foundation, Inc. The Fund's home office is located at 43 New Scotland Avenue, Albany, New York 12208.

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'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 Albany Medical Center Foundation, Inc. Segregated Annuity Fund (the "Fund") through which the Albany Medical Center Foundation, Inc. (the "Foundation") 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 Foundation 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

Albany Medical Center Foundation, Inc. is organized for the purpose of assisting Albany Medical Center, Albany Medical College, Albany Medical Center Hospital and Albany Medical Center-South Clinical Campus in: carrying out their educational, patient care, research and charitable purposes; enhancing community relations; and coordinating, assisting and raising funds. The Foundation established the Fund to issue gift annuity agreements in return for gifts from donors in 1995. The Superintendent of Insurance granted to the Foundation a Charitable Annuity Society special permit on November 20, 2003.

B. Structure

The management of the Foundation and the Fund and all of its affairs and property are entrusted to a board of directors.

C. Assets under the Board of Directors

As of the December 31, 2021 IRS Form 990, the Foundation's Board of Directors oversaw an endowment comprising $190,914,609 in total assets. The Fund, as of December 31, 2021, held total admitted assets of $2,401,199.

D. Third-Party Payment Service Provider

Key Bank National Association ("Key Bank") is the Fund's custodian and investment manager and advisor. All operations related to the benefit payments and preparation and distribution of tax documents are outsourced to Key Bank. Key Bank also prepares documents to the states where the Fund hold annuity permits. The Fund has an agreement in place with BST to prepare the Fund's annual statements and reserve listings.

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 Foundation prepared and provided a custom-tailored investment policy statement ("IPS") to 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 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, 2016	December 31, 2021	Increase (Decrease)
Admitted assets	$2,679,194	$2,401,199	$(277,995)
Liabilities	$1,808,912	$1,165,024	$(643,888)
Minimum required fund balance	$ 180,891	$ 116,502	$ (64,389)
Excess fund balance (surplus)	689,391	1,119,673	430,282
Total annuity fund balance	$ 870,282	$1,236,175	$ 365,893
Total liabilities and annuity fund balance	$2,679,194	$2,401,199	$(277,995)

The decrease in assets and liabilities during the examination period was because more annuities were terminated than written. Annuities decreased from 57 with annual payment amounts of $247,912 as of December 31, 2016 to a total of 49 with annual payment amounts of $155,861 as of December 31, 2021. The increase in annuity fund balance stemmed from market fluctuations and annuity distributions.

The Fund's admitted assets, as of December 31, 2021, were invested in equity securities (100%).

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 recommendations 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 board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. The Department no longer requires the approval of purchases and sales of the Fund's investments. Satisfactory to current requirements, the Investment Committee performs a review of the Fund's investments on a quarterly basis.
B	The examiner recommends that the Fund strengthen the diversification of its investment holdings. The Department no longer provides specific guidance for investment diversification.
C	The examiner recommends that the Fund adopt an Investment Strategy Statement. Such a Statement should refer to the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law, which standard, as specified in Section 1110(b) of the New York Insurance Law, governs the manner in which the required admitted assets of a segregated gift annuity fund shall be invested. The Fund should exercise reasonable care, skill and caution to make and implement investment and management decisions as a prudent investor would for the entire portfolio. In doing so, the Fund should take into account present and future distributions to or for the beneficiaries and create a plan to meet the needs of those distributions to establish the ISS's risk, return, and time horizon objectives. The Fund adopted an Investment Strategy Statement which refers to the prudent investor standards as defined in Section 11-2.3 of the Estates, Powers and Trusts Law. The Investment Strategy Statement was approved by the Investment Committee.

8. SUMMARY AND CONCLUSIONS

Following is the recommendation contained in this report:

Item	Description	Page No(s).
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

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. 32363

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 ALBANY MEDICAL CENTER FOUNDATION, 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 31st day of March, 2022

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU