REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ST. JOHN'S UNIVERSITY

AS OF December 31, 2020

EXAMINER: Manish Gera

DATE OF REPORT: January 14, 2022

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

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AS OF

DECEMBER 31, 2020

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April 27, 2023

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

Madam:

In accordance with instructions contained in Appointment No. 32230, dated March 25, 2021 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the St. John's University. The Fund's home office is located at Treasurer's Office, 8000 Utopia Parkway, Queens, NY 11439.

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

1. EXECUTIVE SUMMARY

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)

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued. (See item 5 of this report)

The Fund violated Section 1110(a) of the New York Insurance Law by issuing annuities that exceeded the maximum rates allowed. The examiner recommends that the Fund implement appropriate monitoring controls that will ensure that when annuities are issued, payout rates do not exceed the maximum rates with Section 1110(a) of the New York Insurance Law. (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' (the "Department" or "DFS") examination and assessment of the St. John's University Segregated Gift Annuity Fund (the "Fund") through which St. John's University (the "University") 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 University 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 violations, recommendations and/or comments 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

St. John's University is organized for the purpose of educating individuals by striving to preserve and enhance an atmosphere in which scholarly research, imaginative methodology, global awareness, and an enthusiastic quest for truth serve as a basis of a vital teaching-learning process and the development of lifelong learning. The University established the Fund to issue gift annuity agreements in return for gifts from donors in 2000. The Superintendent of Financial Services granted to the University a Charitable Annuity Society special permit on December 21, 2011.

B. Structure

The management of the University and the Fund and all of its affairs and property are entrusted to a 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 May 31, 2020 audited financial statement, the University's Board of Trustees oversaw an endowment consisting of over 750 individual funds comprising $719,681,000 in total assets. The Fund, as of December 31, 2020, held total admitted assets of $1,453,406.

D. Third-Party Payment Service Provider

State Street Bank and Trust Company ("State Street") is the investment manager and custodian of the Fund's assets. State Street also performs functions such as gift processing, investment and custody of assets, accounting and recordkeeping, beneficiary distributions and tax preparation and reporting.

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, 2015	December 31, 2020	Increase
Admitted assets	$1,471,146	$1,453,406	$ (17,740)
Liabilities	$ 909,026	$ 960,819	$ 51,793
Minimum required fund balance	$ 90,903	$ 96,082	$ 5,179
Excess fund balance (surplus)	471,217	396,505	(74,712)
Total annuity fund balance	$ 562,120	$ 492,587	$(69,533)
Total liabilities and annuity fund balance	$1,471,146	$1,453,406	$(17,740)

The decrease in assets and annuity fund balance is due to termination and transfer of residual value to the fund's general fund. The increase in liabilities reflects an increase in the total number of annuities in force. Annuities increased from 52 with annual payment amounts of $107,504 as of December 31, 2015 to a total of 67 with annual payment amounts of $108,867 as of December 31, 2020.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (99.32%).

5. TREATMENT OF ANNUITANTS

Section 1110(a) of the New York Insurance Law states, in part:

> ". . . Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . ."

The examiner's review of a sample of 19 newly issued gift annuities by the Fund during the examination period noted that in 17 newly issued annuities, the Fund used forms that differed from the gift annuity agreements filed with the Superintendent. The deviating form numbers found in the sample are 1da-I-NY and 1da-D-NY.

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.

The examiner reviewed a sample of new gift annuities issued by the Fund during the examination period, as described above. In the sample selected, the examiner noted that 2 out of the 19 newly issued gift annuities reviewed were issued on contracts that did not have the appropriate form number as approved by the Superintendent printed on the forms.

The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.

6. ANNUITY RATES

Section 1110(a) of the New York Insurance Law states, in part:

> " ….. Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants and a schedule of its maximum annuity rates, which shall be computed on the basis of the annuity standard adopted by it for calculating its reserves so as to return to it upon the annuitant's death a residue at least equal to one-half the original gift or other consideration for such annuity."

The examiner's review of the reserve report noted that 2 out of the 19 annuities issued in New York during the examination period had payout rates greater than the maximum rates provided in the filed schedule.

The Fund violated Section 1110(a) of the New York Insurance Law by issuing annuities that exceeded the maximum rates allowed. The examiner recommends that the Fund implement appropriate monitoring controls that will ensure that when annuities are issued, payout rates do not exceed the maximum rates with Section 1110(a) of the New York Insurance Law.

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 trustees, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. The Fund has complied with the recommendation.
B	The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and reconcile such advices to the monthly statements provided by the custodian. State Street uses a block trading method to buy investments. However, State Street provided SOC 1 reports that presented an unqualified opinion for the design and implementation of its trading and Information Technology systems as of the year ended September 30, 2021.
C	The examiner recommends that the Fund strengthen the diversification of its investment holdings. The Department no longer offers specific guidance for diversification.
D	The examiner recommends that the Fund adopt an Investment Strategy Statement. The Fund has complied with the recommendation.
E	The examiner recommends that the Fund obtain copies of the death certificates of annuitants for annuity contracts terminated. The Fund has complied with the recommendation.

8. SUMMARY AND CONCLUSIONS

Following are the violations, recommendations and comments contained in this report:

Item	Description	Page No(s).
A	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
B	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
C	The examiner recommends that the Fund ensure that all gift annuity agreement forms have the appropriate form number as approved by the Superintendent printed on each form issued.	6
D	The Fund violated Section 1110(a) of the New York Insurance Law by issuing annuities that exceeded the maximum rates allowed. The examiner recommends that the Fund implement appropriate monitoring controls that will ensure that when annuities are issued, payout rates do not exceed the maximum rates with Section 1110(a) of the New York Insurance Law.	7

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 his knowledge and belief.

/s/
Manish Gera

Subscribed and sworn to before me

this _____ day of _____

APPOINTMENT NO. 32230

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:*

MANISH GERA

as a proper person to examine the affairs of the

SEGREGATED GIFT ANNUITY FUND OF THE ST. JOHN'S UNIVERSITY

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 25th day of March, 2021

LINDA A. LACEWELL
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU