



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
INTERNATIONAL RESCUE COMMITTEE, INC.**

**AS OF DECEMBER 31, 2022**

**EXAMINER: Adelia Gbadamosi**

**DATE OF REPORT: January 16, 2024**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

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OF THE

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KATHY HOCHUL  
Governor

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ADRIENNE A. HARRIS  
Superintendent

February 20, 2024

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

Madam:

In accordance with instructions contained in Appointment No. 32510, dated June 28, 2023 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Internation Rescue Committee, Inc. The Fund's home office is located at 122 East 42<sup>nd</sup> Street, New York, NY 10168.

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

## 1. EXECUTIVE SUMMARY

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers 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. (See item 4A of this report)

The examiner recommends that the Investment Strategy Statement be approved by the Board of Directors. (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 delegates 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 Fund's Board of Directors, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes. (See item 4B 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 International Rescue Committee, Inc. Segregated Annuity Fund (the "Fund") through which the International Rescue Committee, Inc. (the "Organization") provides annuity benefits.

The prior examination was conducted as of December 31, 2017. This examination covers the period from January 1, 2018 through December 31, 2022. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2022 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 Organization or Fund, in relation to their annuity activities, could have better adhered to statutory standards and guidance or 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 the prudent person standards.

The examination comprised a verification of assets and liabilities as of December 31, 2022 to determine whether the Fund's filed 2022 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 International Rescue Committee, Inc. founded in 1933 was organized for the purpose of providing global emergency relief to assist in rehabilitation, protection of human rights, post-conflict development, resettlement services and advocacy for refugees and others uprooted or affected by violent conflict and oppression without regard to the race, nationality or religion of the beneficiaries as well as to carry out programs of humanitarian assistance in areas of need outside the United States and to administer such assistance without regard to the race, nationality or religion of the beneficiaries. The Organization also conducts programs of public education regarding the situation, circumstances, needs and plight of victims of oppression and persecution for the purpose of mobilizing assistance on their behalf. The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 1991. The Superintendent of Insurance granted to the Organization a Charitable Annuity Society special permit on March 19, 1993.

#### B. Structure

The management of the Organization and the Fund and all of its affairs and property are entrusted to a Board of Directors. All operations related to the issuance, maintenance and settlement of annuity agreements are handled by the Fund.

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

As of the September 30, 2022 audited financial statement, the Board of Directors oversaw an endowment consisting of 20 individual funds comprising \$108,048,000 in total assets. The Fund, as of December 31, 2022, held total admitted assets of \$10,798,955.

#### D. Third-party Payment Service Provider

The Fund's custodian is State Street Global Advisors. State Street is responsible for investing the Fund's assets, issuing benefit payments and preparing the annual IRS Form 1099-R for annuitants and other accounting duties. PG Calc provides professional services related to annual statement filings and Milliman, Inc. prepares an actuarial opinion for the Fund as well as valuation services for annuities.

#### 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.”

The examiner’s review of the Fund’s Investment Strategy Statement revealed that it does not contain reference to the prudent investor standard, as specified in Section 1110(b) of the New York Insurance Law.

The examiner recommends that the Fund adopt an Investment Strategy Statement that refers 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 examiner’s review of the Fund’s Investment Strategy Statement (“ISS”) revealed that the board failed to approve the ISS.

The examiner recommends that the Investment Strategy Statement be approved by the Board of Directors.

State Street Global Advisors is the Fund’s investment adviser and custodian.



State Street Global Advisors prepared and provided a form investment strategy statement (“ISS”) to 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 requested the minutes of the Board of Directors and all committees thereof for the examination period. The Fund failed to provide copies of the meetings of the board of directors and all committees thereof pertaining to the Fund.

The examiner recommends that the Fund’s Board of Directors, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.

## 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:

|  | <u>December 31,</u><br><u>2017</u> | <u>December 31,</u><br><u>2022</u> | <u>Increase</u><br><u>(Decrease)</u> |
|--|------------------------------------|------------------------------------|--------------------------------------|
| Admitted assets                            | \$ <u>11,146,051</u>               | \$ <u>10,798,955</u>               | \$ <u>(347,096)</u>                  |
| Liabilities                                | \$ <u>6,437,575</u>                | \$ <u>5,781,802</u>                | \$ <u>(655,773)</u>                  |
| Minimum required fund balance              | \$ 643,757                         | \$ 578,180                         | \$ (65,577)                          |
| Excess fund balance (surplus)              | <u>4,064,719</u>                   | <u>4,438,973</u>                   | <u>374,254</u>                       |
| Total annuity fund balance                 | \$ <u>4,708,476</u>                | \$ <u>5,017,153</u>                | \$ <u>308,677</u>                    |
| Total liabilities and annuity fund balance | \$ <u>11,146,051</u>               | \$ <u>10,798,955</u>               | \$ <u>(347,096)</u>                  |

The decrease in assets and liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 431 as of December 31, 2017 with annuity payments of \$784,525 to 365 as of December 31, 2022 with annuity payments of \$672,149. The increase in annuity fund balance is a result of fluctuations in the market value of investments.

The Fund's admitted assets, as of December 31, 2022, were invested in equity securities (99.28%).

## 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:

| <u>Item</u> | <u>Description</u>  |
|-------------|---|
| A           | <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 examiner's review indicated that copies of the minutes were not provided. A similar recommendation appears in this report on examination.</p>  |
| B           | <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 investment diversification.</p> |
| C           | <p>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.</p> <p>During the examination period, the Fund's agreement forms contained the appropriate form numbers as approved by the Superintendent.</p>  |
| D           | <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 period the Fund obtained death certificates that supported the termination of the annuity contracts.</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 adopt an Investment Strategy Statement that refers 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. | 5                  |
| B           | The examiner recommends that the Investment Strategy Statement be approved by the Board of Directors.   | 5                  |
| 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 Fund's Board of Directors, or a committee thereof, review the activities of the Fund at least annually and note the same in the minutes.   | 6                  |

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. 32510***

***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  
INTERNATIONAL RESCUE COMMITTEE, INC.***

*and to make a report to me in writing of the condition of said*

***FUND***

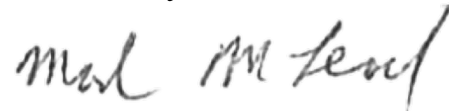
*with such other information as she shall deem requisite.*

*In Witness Whereof, I have hereunto subscribed my name  
and affixed the official Seal of the Department  
at the City of New York*

*this 28th day of June, 2023*

***ADRIENNE A. HARRIS***  
*Superintendent of Financial Services*

*By:*



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

