REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
NEW YORK MEDICAL COLLEGE

AS OF December 31, 2022

EXAMINER: Manish Gera

DATE OF REPORT: May 22, 2024

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July 10, 2024

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

Dear Adrienne A. Harris:

In accordance with instructions contained in Appointment No. 32516, dated October 6, 2023 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the New York Medical College. The Fund's home office is located at 40 Sunshine Cottage Road, Valhalla, NY 10595.

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 5 of this report)

The examiner recommends that the Fund prepare and maintain a trial balance, general ledger, and transaction registers that reconcile to its filed annual statements. (See item 7 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 New York Medical College Segregated Gift Annuity Fund (the "Fund") through which New York Medical College (the "College") 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 College 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, 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 violations, recommendations and/or comments contained in the prior report on examination. The results of such review are contained in item 8 of this report.

3. DESCRIPTION OF FUND

A. History

New York Medical College was chartered in 1860 and is a health sciences university whose purpose is to educate physicians, scientists, public health specialists, and other health care professionals and to conduct biomedical and population-based research. The College engenders a diverse and inclusive community through its faculty and affiliated partners that promotes excellence, scholarship, and professionalism. The College established the Fund to issue gift annuity agreements in return for gifts from donors on December 6, 2004. The Superintendent of Insurance granted to the College a Charitable Annuity Society special permit on November 8, 2008.

B. Structure

The management of the College and the Fund and all of its affairs and property are entrusted to a board of trustees. The Fund performs all operations related to the issuance, maintenance, and settlement of annuity agreements.

C. Assets under the Board of Trustees

As of the June 30, 2022 audited financial statement, the College's Board of Trustees oversaw an endowment fund consisting of 126 individual funds comprising $68,154,737 in total assets. The Fund, as of December 31, 2022, held total admitted assets of $110,633.

D. Third-party Service Providers

Morgan Stanley Wealth Management ("Morgan Stanley") is the custodian and investment manager of the Fund's assets. Charitable Trust Administration Company (CTAC) is responsible for the administration of the Fund, including the preparation of the annual statements, calculating the reserves, processing the annuity benefit payments, and preparing annual tax forms. The College is responsible for reviewing and recording the activities of the segregated gift annuity account in a financial system called Banner. The College reviews and reconciles the monthly statements from Morgan Stanley. In addition, the College also reviews and approves the annual NYS filings and tax forms that are prepared by CTAC.

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 College prepared and provided an 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 & 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, 2017	December 31, 2022	Increase (Decrease)
Admitted assets	$106,081	$109,998	$ 3,917
Liabilities	$ 48,917	$ 23,118	$(25,799)
Minimum required fund balance	$ 4,892	$ 2,312	$ (2,580)
Excess fund balance (surplus)	52,272	84,569	32,297
Total annuity fund balance	$ 57,164	$ 86,881	$ 29,717
Total liabilities and annuity fund balance	$106,081	$109,998	$ 3,917

The decrease in liabilities reflect a decrease in the total number of annuities in force. Annuities decreased from 6 with annual payment amounts of $8,235 as of December 31, 2017 to a total of 4 with annual payment amounts of $5,210 as of December 31, 2022. The increase in assets and annuity fund balance was due to the increase in the market performance of the underlying assets that the Fund is invested in. The increase can also be attributable to annuity terminations, which reduced the total payments made.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (96.89%).

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. ANNUAL STATEMENT REPORTING

The Department's Instructions for Completing the New York State Segregated Gift Annuity Fund Annual Statement for the years ended December 31, 2018 through December 31, 2022, namely Schedule A, states the following, in part:

> "Column 1 CUSIP Identification
>
> CUSIP identification numbers must be listed for all publicly traded securities. If the security/mutual fund was owned during the previous year, the CUSIP will be from the previous year's Statement. If the security was purchased in the current year, the CUSIP can be obtained from the broker's confirmation or certificate."

The examiner's review of the Fund's filed annual statements during the exam period indicated that it failed to enter the proper CUSIP numbers of its common stock investments in Schedule A, Part 3. Furthermore, the Fund failed to enter the proper CUSIP numbers in Schedule A, Parts 4 and 5 of its filed annual statements as well.

The examiner recommends that the Fund prepare its annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.

8. 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 Fund contract with a licensed bank or trust company to serve as the Fund's custodian for the Fund's securities. This is a repeated recommendation from prior examination. The Department no longer provides guidance for this finding.
B	The examiner recommends that the Fund's board of trustees review the activities of the Fund at least annually and note the same in the minutes. The Fund has complied with the recommendation.
C	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.
D	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.

9. SUMMARY AND CONCLUSIONS

Following are the recommendations 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
B	The examiner recommends that the Fund prepare its annual statements in accordance with the instructions for completing the New York State Segregated Gift Annuity Fund Annual Statement.	8

Respectfully submitted,

/s/
Manish Gera
Senior 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. 32516

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 NEW YORK MEDICAL COLLEGE

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 6th day of October, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU