REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
SALESIAN MISSIONS

AS OF DECEMBER 31, 2022

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: April 3, 2024

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May 8, 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. 32521, 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 Salesian Missions. The Fund's home office is located at 2 LeFevre Lane, New Rochelle, NY 10801.

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

1. EXECUTIVE SUMMARY

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination. (See item 3E of this report)

The examiner recommends that the Fund consistently use the name that appears on the board resolution issued in accordance with Section 1110 of the New York Insurance Law in all its operations. (See item 3E 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 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 Trustees, 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 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)

The Fund violated Section 307(a)(1) of the New York Insurance Law by failing to file its annual statement on or before the first day of March. The examiner recommends that the Fund comply with Section 307(a)(1) of the New York Insurance Law by filing its annual statement on or before the first day of March. (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' ("Department" or "DFS") examination and assessment of the Salesian Missions Segregated Annuity Fund (the "Fund") through which the Salesian Missions (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 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 violation and recommendations 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

Salesian Missions was chartered in 1947 and is organized for the purposes of doing general missionary work and to promote religious education without profit. Salesian Missions established the Fund to issue gift annuity agreements in return for gifts from donors in 1972. The Superintendent of Insurance granted to the Organization a Charitable Annuity Society special permit on October 21, 1983.

B. Structure

The Fund is overseen by the Organization's board of trustees. All operations related to the issuance, maintenance, and settlement of annuity agreements are handled by the Fund itself.

C. Assets under the Board of Trustees

As of the Organization's December 31, 2022 audited financial statement, the Organization's Board of Trustees oversaw an endowment comprising $11,874,910 in total assets. The Organization also held $41,825,722 in investments. The Fund, as of December 31, 2022, held total admitted assets of $12,326,644.

D. Third-party Service Providers

Comerica is the custodian of the Fund's assets. Clearbridge performs investment management services for the Fund. BDO USA prepares the Fund's financial statements. The Fund also uses Berwyn Group software to access death records from multiple states and PG Calc software to calculate reserves.

E. Oversight Structure

Section 312(b) of the New York Insurance Law states, in part:

> "(b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report . . ."

The examiner's review revealed that the Fund failed to obtain statements signed by each board member indicating that they received and read the prior report on examination.

The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination. The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.

The examiner reviewed the Fund's investment statements and noted that the Fund used the name of the Organization instead of the name of the Fund that appears on the board resolution.

The examiner recommends that the Fund consistently use the name that appears on the board resolution issued in accordance with Section 1110 of the New York Insurance Law in all its operations.

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 Organization prepared and provided a form 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.

B. Monitoring

The examiner reviewed the Board of Trustees 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 Trustees, 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 (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	$9,895,396	$12,326,644	$2,431,248
Liabilities	$4,999,650	$ 4,397,138	$ (602,512)
Minimum required fund balance	$ 480,126	$ 437,430	$ (42,696)
Excess fund balance (surplus)	4,415,620	7,492,077	3,076,457
Total annuity fund balance	$4,895,746	$ 7,929,506	$3,033,760
Total liabilities and annuity fund balance	$9,895,396	$12,326,644	$2,431,248

The increase in assets and annuity fund balance reflects an increase in gift values, the increase in the market value of investments, and investment income while the decrease in liabilities was due to annuity terminations. Annuities decreased from 892 with annual payment amounts of $572,750 as of December 31, 2017 to a total of 685 with annual payment amounts of $547,211 as of December 31, 2022.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in bonds (29.19%), equity securities (55.29%) and money market mutual funds (11.07%). All bonds held were investment grade.

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 FILING

Section 307(a)(1) of the New York Insurance Law states, in part:

> "Every insurer and every fraternal benefit society that is authorized to do an insurance business in this state, and every pension fund, retirement system or state fund that is required, by any law in this state, to report to the superintendent or is subject to the superintendent's examination, shall file in the office of the superintendent, annually on or before the first day of March, a statement, to be known as its annual statement…"

On May 8, 2017, the Fund requested "a permanent NYS annual statement filing date of July 31 more in line with the annual close and signoff date of our annual audit." The request was denied, and the Fund was informed that continued lateness of filing may subject the organization to revocation of its permit to issue annuities in New York. However, the Fund has consistently filed its annual statement after the first day of March.

The Fund violated Section 307(a)(1) of the New York Insurance Law by failing to file its annual statement on or before the first day of March.

The examiner recommends that the Fund comply with Section 307(a)(1) of the New York Insurance Law by filing its annual statement on or before the first day of March.

8. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following are the violation and 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 Fund violated Section 312(b) of the New York Insurance Law by failing to maintain signed statements from the board members indicting that they received and read the prior report on examination. The Fund failed to maintain signed statements from the board members indicating that they received and read the prior report on examination. A similar violation appears in this report on examination.
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining and maintaining the signature of each board members indicating that they received and read the prior report on examination. The Fund failed to obtain and maintain the signature of each board member indicating that they received and read the prior report on examination. A similar recommendation appears in this report on examination.
C	The examiner recommends that the Fund's board of trustees, or a committee thereof, review activities of the Fund at least annually and note such in the minutes. The Fund's board of trustees, or the Investment Committee reviewed the activities of the Fund at least annually and noted as such in the minutes.
D	The examiner recommends that the Fund's board of trustees, or a committee thereof, approve the purchases and sales of all investments and note such in the minutes. The Fund's Board of Trustees and Investment Committee failed to review the Fund's required admitted assets and note such review in the minutes. A similar recommendation appears in this report on examination.

9. SUMMARY AND CONCLUSIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Fund violated Section 312(b) of the New York Insurance Law by failing to obtain signed statements from the board members indicating that they received and read the prior report on examination.	5
B	The examiner recommends that the Fund comply with Section 312(b) of the New York Insurance Law by obtaining the signature of each board member indicating that they have received and read any current or future filed report on examination.	5
C	The examiner recommends that the Fund consistently use the name that appears on the board resolution issued in accordance with Section 1110 of the New York Insurance Law in all its operations.	5
D	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
E	The examiner recommends that the Board of Trustees, 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.	6
F	The Fund violated Section 307(a)(1) of the New York Insurance Law by failing to file its annual statement on or before the first day of March.	9
G	The examiner recommends that the Fund file its annual statement on or before the first day of March.	9

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. 32521

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 SALESIAN MISSIONS

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: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU