REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ASSOCIATION OF GRADUATES OF
THE UNITED STATES MILITARY ACADEMY

AS OF December 31, 2023

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: March 13, 2025

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April 4, 2025

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. 32613, dated April 9, 2024 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Association of Graduates of the United States Military Academy. The Fund's home office is located at 698 Mills Road, West Point, NY 10996.

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

1. EXECUTIVE SUMMARY

The examiner's review of a sample of transactions did not reveal any differences which materially affected the Fund's financial condition as presented in its financial statements contained in the December 31, 2023 filed annual statement. (See item 4 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)

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 Segregated Gift Annuity Fund of the Association of Graduates of the United States Military Academy (the "Fund") through which the Association of Graduates of the United States Military Academy (the "Association") provides annuity benefits.

The prior examination was conducted as of December 31, 2018. This examination covers the period from January 1, 2019 through December 31, 2023. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2023 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 Association 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, 2023 to determine whether the Fund's filed 2023 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 recommendation contained in the prior report on examination. The result of such review is contained in item 6 of this report.

3. DESCRIPTION OF FUND

A. History

The Association of Graduates of the United States Military Academy was chartered in 1891 and is organized for the purpose of furthering the ideals and promoting the welfare of the United States Military Academy, and to supporting and serving its graduates. The Association established the Fund to issue gift annuity agreements in return for gifts from donors in 1984. The Superintendent of Insurance granted to the Association a Charitable Annuity Society special permit on June 29, 1999.

B. Structure

The Fund is overseen by the Association's 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 December 31, 2022 IRS Form 990, the Association's Board of Directors oversaw an endowment comprising $367,829,419 in total assets. The Fund, as of December 31, 2023, held total admitted assets of $4,577,107.

D. Third-party Service Providers

BNY Mellon is the Fund's custodian and investment manager. BNY Mellon also performs administrative functions such as remitting benefit payments to annuitants; providing IRS Form 1099R tax forms to annuitants; submitting monthly investment statements, annual reserve reports and quarterly market value reporting to the Fund.

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, 2018	December 31, 2023	Increase (Decrease)
Admitted assets	$4,691,652	$4,577,107	$(114,545)
Liabilities	$3,266,339	$2,785,465	$(480,874)
Minimum required fund balance	$ 326,634	$ 278,546	$ (48,088)
Excess fund balance (surplus)	1,098,679	1,513,096	414,417
Total annuity fund balance	$1,425,313	$1,791,642	$ 366,329
Total liabilities and annuity fund balance	$4,691,652	$4,577,107	$(114,545)

The fluctuations were due to the normal cycle of gift activity. Inflows of 13 contracts for a total of $1.14 million and outflows of 26 contracts for a total of $1.39 million during the examination period led to decreases in both admitted assets and liabilities. Annuities decreased from 81 annuities with payment amounts of $354,775 as of December 31, 2018 to a total of 68 annuities with annual payment amounts of $288,628 as of December 31, 2023. Annuity fund balance increased due to strong market performance and investment gains during the exam period.

The Fund's admitted assets, as of December 31, 2023, were invested mainly in equity securities (93.51%) and bonds (5.44%).

5. 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.

6. PRIOR REPORT RECOMMENDATION

Following is the recommendation contained in the prior report on examination and the subsequent action taken by the Fund in response to the citation:

Item	Description
A	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. No new annuities were issued during the examination period.

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. 32613

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 ASSOCIATION OF GRADUATES OF THE UNITED STATES MILITARY ACADEMY

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 9th day of April, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU