REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
PLANNED PARENTHOOD FEDERATION OF AMERICA, INC.

AS OF December 31, 2022

EXAMINER: Manish Gera

DATE OF REPORT: October 23, 2024

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KATHY HOCHUL
Governor

ADRIENNE A. HARRIS
Superintendent

February 10, 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. 32518, dated May 25, 2023 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Planned Parenthood Federation of America Inc. The Fund's home office is located at 123 William Street, New York, NY 10038.

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

1. EXECUTIVE SUMMARY

The Fund should 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 Fund should ensure that all gift annuity agreement forms are issued in the format of acceptance to ensure compliance with Section 1110(a) of the New York Insurance Law. (See item 6 of this report)

The Fund violated Section 1110(b) of the New York Insurance Law by failing to separate assets received as separate and distinct funds. The examiner directs that the Fund deposit gift annuity proceeds directly into a separate and distinct gift annuity account. (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 Planned Parenthood Federation of America Inc. Segregated Gift Annuity Fund (the "Fund") through which Planned Parenthood Federation of America 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 Foundation 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 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

Planned Parenthood Federation of America Inc. was chartered in 1922 and is organized to provide leadership for the purpose of providing comprehensive reproductive and complementary health care services in settings which preserve and protect the essential privacy and rights of each individual; advocating public policies which guarantee these rights and ensure access to such services; providing educational programs which enhance understanding of individual and societal implications of human sexuality; and promoting research and the advancement of technology in reproductive health care, and encouraging the understanding of their inherent bioethical, behavioral, and social implications. The Organization established the Fund to issue gift annuity agreements in return for gifts from donors in 1979. The Superintendent of Insurance granted to the Organization a Charitable Annuity Society special permit on June 17, 1988.

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 and maintenance of annuity agreements are handled by the Fund.

C. Assets under the Board of Directors

As of the June 30, 2022 audited financial statement, the Organization's Board of Directors oversaw an endowment fund consisting of 54 individual funds comprising $183,497,388 in total assets. The Fund, as of December 31, 2022, held total admitted assets of $24,964,442.

D. Third-party Service Providers

State Street Global Advisors ("State Street") is the custodian and investment manager of the Fund's assets. State Street provides planned giving administrative services and payments to participants. The Fund markets the charitable gift annuity program to its supporters. Daniel O'Connell, CPA, prepares the fund's annual gift annuity filing.

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 custom-tailored Investment Policy Statement for the Fund. The Fund adopted it as its Investment Policy Statement.

The Fund should 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 in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	December 31, 2017	December 31, 2022	Increase
Admitted assets	$21,627,962	$24,964,442	$3,336,480
Liabilities	$ 7,927,803	$10,570,494	$2,642,691
Minimum required fund balance	$ 792,780	$ 1,057,049	$ 264,269
Excess fund balance (surplus)	12,907,378	13,336,898	429,520
Total annuity fund balance	$13,700,159	$14,393,948	$ 693,789
Total liabilities and annuity fund balance	$21,627,962	$24,964,442	$3,336,480

The increase in assets and annuity fund balance reflects an increase in the market value of assets. In addition, assets increased due to the Fund's practice of retaining the remainders of unrestricted closed annuities in the Fund. Liabilities increased as the Fund had a larger percentage of its annuities using the most recently issued mortality table, which predicts that annuitants will live approximately two years longer. This increased the amount of reserves the Fund is required to maintain. Annuities decreased from 582 with annual payment amounts of $1,047,539 as of December 31, 2017 to a total of 562 with annual payment amounts of $1,374,866 as of December 31, 2022.

The Fund's admitted assets, as of December 31, 2022, were invested mainly in equity securities (96.14%).

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.

The examiner reviewed a sample of new gift annuities issued by the Fund during the examination period. In the sample selected, the examiner noted that 12 out of the 12 newly issued gift annuities reviewed had contracts with minor wording deviations. These deviations included a slight change of wording in clause 6 of the contracts, but which did not change the meaning of the clause itself. The contracts used stated "This annuity is irrevocable. This annuity is also non-assignable except that it may be assigned to PPFA." instead of the accepted version "This annuity is irrevocable and non-assignable, except that it may be assigned to PPFA."

The Fund should ensure that all gift annuity agreement forms are issued in the format of acceptance to ensure compliance with Section 1110(a) of the New York Insurance Law.

7. SEGREGATION OF ASSETS AND INTERNAL CONTROL

Section 1110(b) of the New York Insurance Law states the following:

> "(b)…Such assets shall be segregated as separate and distinct funds, independent of all other funds of such corporation or association, and shall not be applied to pay its debts and obligations or for any purpose except the aforesaid annuity benefits."

The examiner's review of gifts received by the Fund during 2022 noted that the proceeds were deposited into the Organization's general gift bank account before being transferred to the segregated gift annuity account. The examiner determined that on average the proceeds of the gifts were transferred from the Organization's general gift bank account to the gift annuity account 8.87 days from the date of the gift. By not depositing gifts received directly into the accounts of the gift annuity fund, the Fund failed to maintain segregation of the assets of the Fund separate from the assets of the Organization.

The Fund violated Section 1110(b) of the New York Insurance Law by failing to separate assets received as separate and distinct funds.

The examiner directs that the Fund deposit gift annuity proceeds directly into a separate and distinct gift annuity account.

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 board of directors, or a committee thereof, approve the purchases and sales of all investments and note such approvals in the minutes. The Corporation's board of directors, or a committee thereof, reviewed the purchases and sales of the Fund's investments annually and memorialized the review in the minutes.
B	The examiner recommends that the Fund obtain broker's advices or other supporting documentation for its investment transactions and that this documentation be reviewed on a timely basis and reconciled to the applicable custodial statements for that period. The Fund's bank uses block trading method to buy investments. However, the Fund's custodian provided SOC 1 reports which indicated that the custodian's systems were fairly presented and provided reasonable assurance that its controls operated effectively.
C	The examiner recommends that the Fund adopt an Investment Strategy Statement that references 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 noted that the Fund adopted an Investment Policy Statement that references the prudent investor standard as defined in Section 11-2.3 of the Estates, Powers and Trusts Law.

Item	Description
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 violations, actions, and recommendation contained in this report:

Item	Description	Page No(s).
A	The Fund should 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 Fund should ensure that all gift annuity agreement forms are issued in the format of acceptance to ensure compliance with Section 1110(a) of the New York Insurance Law.	7
C	The Fund violated Section 1110(b) of the New York Insurance Law by failing to separate assets received as separate and distinct funds.	8
D	The examiner directs that the Fund deposit gift annuity proceeds directly into a separate and distinct gift annuity account.	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. 32518

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 PLANNED PARENTHOOD FEDERATION OF AMERICA, INC.

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 May, 2023

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU