REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
ROCHESTER REGIONAL HEALTH FOUNDATION

AS OF DECEMBER 31, 2023

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: October 15, 2025

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January 5, 2026

Honorable Kaitlin Asrow
Acting Superintendent of Financial Services
New York, New York 10004

Dear Kaitlin Asrow:

In accordance with instructions contained in Appointment No. 32640, dated May 16, 2024 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Rochester Regional Health Foundation. The Fund's home office is located at 100 Kings Highway, Rochester, New York 10017.

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

1. EXECUTIVE SUMMARY

The Fund violated Section 1110(a) of the New York Insurance law by using an annuity agreement form which was not filed with and approved by the Superintendent. The examiner directs that the Fund file with the Superintendent any gift annuity agreement forms that were not previously filed with the Superintendent. (See item 6 of this report)

The Fund should obtain and maintain a death certificate or other reliable documentary evidence that supports the terminating of an annuity contract. (See item 6 of this report)

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. (See item 7 of this report)

The Fund violated Section 1110(b) of the New York Insurance Law when it failed to maintain admitted assets at least equal to 110% of the total amount of reserves on its outstanding agreements. (See item 8 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 (the "Fund") of the Rochester Regional Health Foundation through which the Rochester Regional Health Foundation (the "Foundation") 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 Foundation 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 violations and recommendations contained in the prior report on examination. The results of such review are contained in item 9 of this report.

3. DESCRIPTION OF FUND

A. History

Rochester Regional Health Foundation was formed on January 31, 2017 from a merger between the Rochester General Hospital Foundation (RGHF) and Unity Health System Foundation (UHF). Each foundation had its own charitable gift annuity program. Effective January 1, 2018, both CGA programs merged and became the Rochester Regional Health Foundation (RRHF) as approved by the Department. Rochester Regional Health ("RRH") is the parent company and sole corporate member of the Foundation. Rochester Regional Health was formed on July 1, 2014 from the merger of two health systems, Rochester General Health System and Unity Health System. The mission of the Foundation is to provide funds to or for the benefit of RRH and affiliates. The Foundation established the Fund to issue gift annuity agreements in return for gifts from donors in 2006. The Superintendent of Financial Services granted to the Foundation a Charitable Annuity Society special permit on July 22, 2014.

B. Structure

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

C. Assets under the Board of Directors

As of the December 31, 2023 Internal Revenue Service Form 990, the Foundation's Board of Directors oversaw an endowment consisting of $25,425,232 in total assets. The Fund, as of December 31, 2023, held total admitted assets of $903,099.

D. Third-party Service Providers

Investments are managed by the Foundation's Investment Committee using NEPC as an investment consultant. Key Bank is the custodian of the Fund's assets. The Foundation uses PG Calc to monitor, track, and calculate the Fund's reserves and annuity payments.

4. ASSETS AND LIABILITIES SUMMARY

The following summary table indicates the decline in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	December 31, 2018	December 31, 2023	(Decrease)
Admitted assets	$1,692,010	$903,099	$(788,911)
Liabilities	$1,093,766	$755,909*	$(337,857)
Minimum required fund balance	$ 109,377	$ 75,591*	$ (33,786)
Excess fund balance (surplus)	488,867	71,599*	(417,268)
Total annuity fund balance	$ 598,244	$147,190*	$(451,054)
Total liabilities and annuity fund balance	$1,692,010	$903,099	$(788,911)

*Amounts calculated by the examiner.

The decrease in assets, liabilities and annuity fund balance reflects a decrease in the total number of annuities in force. Annuities decreased from 13 with annual payment amounts of $203,906 as of December 31, 2018 to a total of 7 with annual payment amounts of $103,345 as of December 31, 2023.

The Fund's admitted assets, as of December 31, 2023, were invested mainly in other invested assets (100%).

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.

Section 1110(a) of the New York Insurance Law states, in part:

> ". . . Every such corporation or association shall, before making such agreement, file with the superintendent copies of its forms of agreements with annuitants . . ."

The examiner's review of the one gift annuity issued by the Fund during the examination period revealed that the Fund used a form that differed from the gift annuity agreement forms filed with the Superintendent. The deviating form number is 1da-I-NY, which was not filed with the Superintendent.

The Fund violated Section 1110(a) of the New York Insurance Law by using an annuity agreement form which was not filed with and approved by the Superintendent.

The examiner directs that the Fund file with the Superintendent any gift annuity agreement forms that were not previously filed with the Superintendent.

The examiner's review of the 3 annuity contracts terminated during the examination period revealed that in 2 of the 3 cases (66.7%) reviewed, the Fund failed to obtain and maintain a copy of the death certificate to confirm termination of the annuity contract.

The Fund should obtain and maintain a death certificate or other reliable documentary evidence that supports the terminating of an annuity contract.

6. ANNUAL STATEMENT REPORTING

The Instructions for Completing line 2 of the income section of the New York State Segregated Gift Annuity Fund Annual Statement for December 31, 2021, 2022, and 2023 states, in part:

> "Line 2 "Current Year" Column: Should agree with Exhibit 1, Column 3, Line 7.
> "Prior Year" Column: Report prior year's investment income."

The Instructions for Completing Schedule D – Part 1 Other Invested Assets in the New York State Segregated Gift Annuity Fund Annual Statement for December 31, 2021, 2022, and 2023 states, in part:

> "Column 7 Gross Income Earned
>
> Report the amount of income earned on the property during the year, i.e., rental income.
>
> Total should agree with the amount reported in Exhibit 1, Line 1, Column 8."

In the Fund's filed 2021, 2022, and 2023 annual statements, it failed to report the gross income earned in the shares it held in the RGH MIT Master Trust. In the income section, line 2, the Fund reported $46,446, $40,248, and $20,107 in investment income in 2021, 2022, and 2023, respectively. The Fund should have reported those totals in Schedule D, Part 1, Column 7.

The Instructions for Completing Exhibit 2 – Unrealized Capital Gains and Losses Bonds, Stocks, Money Market Mutual Funds and Other Invested Assets of the New York State Segregated Gift Annuity Fund Annual Statement for December 31, 2021, 2022, and 2023 states, in part:

> "Column 3 Cost
>
> Report the amount from the "Cost" column of the various Schedules for the current year and prior year in each of the categories."

The Instructions for Completing Schedule D – Part 1 Other Invested Assets in the New York State Segregated Gift Annuity Fund Annual Statement for December 31, 2021, 2022, and 2023 states, in part:

> "Column 3 Cost
>
> Report the amount paid to acquire the asset, including fees or other expenses paid during the purchase.
>
> If the asset was received as a donation, cost is the market value as of the date of receipt.
>
> Total should agree with the amount reported in Exhibit 2, Line 13, Column 3."

In the Fund's filed 2021, 2022, and 2023 annual statements, it failed to report the cost basis of the shares it held in the RGH MIT Master Trust. In Exhibit 2, the Fund reported $105,297 in unrealized capital gains in 2021, $215,089 in unrealized capital losses in 2022, and $66,356 in unrealized capital gains in 2023.

The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.

7. UNDERFUNDING

Section 1110(b) of the New York Insurance Law states, in part:

> "Every such domestic corporation or association shall maintain admitted assets at least equal to the greater of (i) the sum of its reserves on its outstanding agreements . . . and a surplus of ten per centum of such reserves, or (ii) the amount of one hundred thousand dollars."

As of its December 31, 2023 filed annual statement, the Fund reported admitted assets of $903,099, net reserves of $831,500, total annuity fund balance of $71,599 and minimum required fund balance of $83,150. The Fund is required to maintain admitted assets at least equal to $914,650 (110% of $831,500). Therefore, the Fund was underfunded in the amount of $11,551.

The Fund violated Section 1110(b) of the New York Insurance Law when it failed to maintain admitted assets at least equal to 110% of the total amount of reserves on its outstanding agreements.

8. PRIOR REPORT RECOMMENDATIONS

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 submit to the Superintendent any gift annuity agreement forms that would be used after the January 1, 2018 merger, in which the Fund changed its name to Rochester Regional Health Foundation. The Fund failed to take corrective action in response to this prior report recommendation. A similar violation appears in this report.
B	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. The Fund failed to take corrective action in response to this prior report recommendation. A similar recommendation appears in this report.
C	The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements. During the examination period, the examiner discovered new discrepancies in the Fund's filed annual statements. A similar recommendation appears in this report on examination.

9. VIOLATIONS & RECOMMENDATIONS

Following are the violations and recommendations contained in this report:

Item	Description	Page No(s).
A	The Fund violated Section 1110(a) by using a gift annuity agreement form which were not filed with and approved by the Superintendent.	6
B	The examiner directs that the Fund file with the Superintendent any gift annuity agreement forms that were not previously with with the Superintendent.	6
C	The Fund should obtain and maintain a death certificate or other reliable documentary evidence that supports the terminating of an annuity contract.	6
D	The examiner recommends that the Fund exercise due care in the preparation of its filed annual statements.	8
E	The Fund violated Section 1110(b) of the New York Insurance Law when it failed to maintain admitted assets at least equal to 110% of the total amount of reserves on its outstanding agreements.	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. 32640

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 ROCHESTER REGIONAL HEALTH FOUNDATION

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 16th day of May, 2024

ADRIENNE A. HARRIS
Superintendent of Financial Services

By: Mark McLeod

MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU