



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
AMERICAN JEWISH COMMITTEE**

AS OF December 31, 2020

EXAMINER: Adelia Gbadamosi

DATE OF REPORT: March 23, 2022

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

OF THE

SEGREGATED GIFT ANNUITY FUND

OF THE

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

October 20, 2022

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

Madam:

In accordance with instructions contained in Appointment No. 32211, dated April 6, 2021 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Jewish Committee. The Fund's home office is located at 165 East 56th Street, New York, New York 10022.

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 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, 2020, filed annual statement. (See item 5 of this report)

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. (See item 6 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 American Jewish Committee Segregated Annuity Fund (the "Fund") through which the American Jewish Committee (the "Corporation") provides annuity benefits.

The prior examination was conducted as of December 31, 2015. This examination covers the period from January 1, 2016 through December 31, 2020. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2020 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 Corporation 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, 2020 to determine whether the Fund's filed 2020 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 7 of this report.

3. DESCRIPTION OF FUND

A. History

The American Jewish Committee was chartered in 1911 and is organized for the purpose of enhancing the well-being of the Jewish people and Israel, and to advance human rights and democratic values in the United States and around the world. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 1994. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on July 11, 1996.

B. Structure

The management of the Corporation and the Fund and all of its affairs and property are entrusted to a board of governors.

The Board of Governors reports to the Executive Council. The Executive Council is AJC's legal board of directors, and it manages the business and operations of the organization. The Executive Council is the highest governing body of AJC. The Executive Council consisted of 27 voting members as of December 31, 2020.

Representatives of American Jewish Committee are responsible for setting up separate donor charitable gift annuity accounts upon receipt of fully executed agreements, gifts and supporting documentation. The representatives send the quarterly annuity checks or arrange for direct deposit of annuity payments to the Fund's annuitants. They prepare and furnish the 1099 statements to the annuitants and file them electronically with the IRS. They calculate and monitor state charitable gift annuity reserve requirements using PG Calc software and provide an administrative review report quarterly to the American Jewish Committee's Investment Subcommittee on Planned Giving Assets. The representatives also prepare the New York State annual statements for the Fund's filing. The vendor providing these services, as of December 31, 2020, was PG Calc.

C. Assets under the Executive Council

As of the December 31, 2020 audited financial statement, the Corporation's Executive Council oversaw an endowment comprising \$154,575,511 in total assets. The Fund, as of December 31, 2020, held total admitted assets of \$5,068,149.

D. Third-Party Payment Service Provider

US Bank is the Fund's custodian. The investment manager functions are handled by Brown Advisory.

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.”

Brown Advisory is the Fund’s investment adviser. US Bank is the Fund’s custodian.

The Corporation 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.

5. ASSETS AND 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, <u>2015</u>	December 31, <u>2020</u>	<u>Increase</u>
Admitted assets	\$ <u>3,124,341</u>	\$ <u>5,068,149</u>	\$ <u>1,943,808</u>
Liabilities	\$ <u>2,231,858</u>	\$ <u>2,822,018</u>	\$ <u>590,160</u>
Minimum required fund balance	\$ 223,186	\$ 282,202	\$ 59,016
Excess fund balance (surplus)	<u>669,297</u>	<u>1,963,929</u>	<u>1,294,632</u>
Total annuity fund balance	\$ <u>892,483</u>	\$ <u>2,246,131</u>	\$ <u>1,353,648</u>
Total liabilities and annuity fund balance	\$ <u>3,124,341</u>	\$ <u>5,068,149</u>	\$ <u>1,943,808</u>

The increase in assets is due in part to new charitable gifts of approximately \$1.2 million from 2016 through 2020. The remainder of the increase in assets is due to investment returns in excess of disbursements. The change in the liabilities for the same period is the difference in the calculated liabilities of the new gifts less payments made to all beneficiaries of the Fund. The change in annuity fund balance is the net difference in the change in assets vs. liabilities described above. Annuities decreased from 66 as of December 31, 2015 to 62 as of December 31, 2020, but annual payments increased from \$286,794 as of December 31, 2015 to \$409,131 as of December 31, 2020.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (94.87%).

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 1 out of the 4 newly issued gift annuities reviewed had a contract which did not have the appropriate form number as approved by the Superintendent printed on the form.

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.

7. 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:

<u>Item</u>	<u>Description</u>
A	<p>The examiner recommends that the board of governors, or a committee thereof, approve the purchases and sales of all investments and note such approval in the minutes.</p> <p>The Investment Committee reviewed the Fund's admitted assets during the examination period and noted the review as such in the minutes.</p>
B	<p>The examiner recommends that the Fund diversify its investment holdings.</p> <p>The Department no longer provides guidance concerning investment diversification.</p>

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No.</u>
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.	6
B	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.	8

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. 32211

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, LINDA A. LACEWELL, 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
AMERICAN JEWISH COMMITTEE***

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 6th day of April, 2021

*LINDA A. LACEWELL
Superintendent of Financial Services*

By:



***MARK MCLEOD
DEPUTY CHIEF - LIFE BUREAU***

