



**REPORT ON EXAMINATION
OF THE
SEGREGATED GIFT ANNUITY FUND
OF THE
AMERICAN FRIENDS OF THE TEL AVIV UNIVERSITY, INC.**

AS OF December 31, 2020

EXAMINER: Ashok Reddy

DATE OF REPORT: March 3, 2022

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

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KATHY HOCHUL
Governor



ADRIENNE A. HARRIS
Superintendent

August 17, 2022

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

Madam:

In accordance with instructions contained in Appointment No.32210, dated February 10, 2022, and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the American Friends of the Tel Aviv University, Inc. The Fund's home office is located at 39 Broadway, Suite 1510, New York, NY 10006.

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

1. EXECUTIVE SUMMARY

The examiner recommends that the Fund adopt an Investment Policy Statement that refers to 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. (See item 4A of this report)

The examiner recommends that the Investment Policy Statement be approved by the board of directors. (See item 4A of this report)

The examiner recommends that the institution 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 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 examiner recommends that the Fund prepare and maintain a general ledger, trial balances and transaction registers that reconcile to its annual statements. (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 American Friends of the Tel Aviv University, Inc. Segregated Annuity Fund (the "Fund") through which American Friends of the Tel Aviv University, Inc. (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 College 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 reviewed the prior report on examination which did not contain any violations, recommendations or comments.

3. DESCRIPTION OF FUND

A. History

The American Friends of the Tel Aviv University, Inc. is organized to promote, encourage, aid and advance higher and secondary education, research and training in all branches of knowledge in Israel and elsewhere, and to aid in the maintenance and development of The Tel Aviv University in the State of Israel (the “University”), and for such purpose to create a University movement in America. As amended in the by-laws on December 15, 2011, the Corporation’s name changed from American Friends of The Tel Aviv University, Inc. to American Friends of Tel Aviv University Inc. The Corporation established the Fund to issue gift annuity agreements in return for gifts from donors in 1996. The Superintendent of Insurance granted to the Corporation a Charitable Annuity Society special permit on April 7, 2006.

B. Structure

The management of American Friends of Tel Aviv University Inc. and the Fund and all of its affairs and property are entrusted to a board of directors. The Fund solicits the gifts, prepares the annuity agreements, and maintains the general ledger.

C. Assets under the Board of Directors

As of the September 30, 2020 IRS Form 990, the Corporation’s Board of Trustees oversaw an endowment comprising \$35,005,186 in total assets. The Fund, as of December 31, 2020, held total admitted assets of \$1,406,662.

D. Third-Party Payment Service Provider

Some of the Fund’s financial functions were outsourced to PNC during the examination period. PNC performed the following functions: receiving of the gifts from annuitants and distribution of funds. PNC Bank is the Fund’s custodian and investment manager. OS Group prepares the Fund’s annual statement.

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 examiner’s review of the Fund’s Investment Policy Statement showed that it does not contain reference to the prudent investor standard as specified in Section 1110(b) of the New York Insurance Law.

The examiner recommends that the Fund adopt an Investment Policy Statement that refers to 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 IPS’s risk, return, and time horizon objectives.

The examiner’s review of the Fund’s Investment Policy Statement (“IPS”) revealed that the board did not approve the ISS.

The examiner recommends that the Investment Policy Statement be approved by the board of directors.

PNC is the Fund’s investment adviser and custodian.

PNC 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 institution 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 (decline) in various categories of the Fund's assets, liabilities, and fund balance during the period under review:

	<u>December 31,</u> <u>2015</u>	<u>December 31,</u> <u>2020</u>	<u>Increase</u>
Admitted assets	\$ <u>2,682,304</u>	\$ <u>1,406,662</u>	\$(<u>1,275,642</u>)
Liabilities	\$ <u>2,071,310</u>	\$ <u>729,918</u>	\$(<u>1,341,392</u>)
Minimum required fund balance	\$ 207,131	\$ 72,992	\$ (134,139)
Excess fund balance (surplus)	<u>403,863</u>	<u>603,753</u>	<u>199,890</u>
Total annuity fund balance	\$ <u>610,994</u>	\$ <u>676,745</u>	\$ <u>65,751</u>
Total liabilities and annuity fund balance	\$ <u>2,682,304</u>	\$ <u>1,406,662</u>	\$(<u>1,275,642</u>)

The total income for the five-year period of \$1,025,109 exceeded the total expenses of \$959,359 by \$65,750. This resulted in the annuity fund balance increasing from \$610,994 to \$676,744. The reason for the decline in admitted assets and liabilities during the period under examination was the termination of contracts, a relatively small number of new contracts issued, and the withdrawal of finished funds of \$1.2 million in 2019.

The Fund's admitted assets, as of December 31, 2020, were invested mainly in equity securities (94.05%) and money market mutual funds (5.95%).

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 REPORTING

The examiner requested a copy of the Fund's trial balance, general ledger, and transaction registers for the Fund's 2020 annual statement. The Fund was unable to reconcile the Fund's trial balance, general ledger, and transaction registers for the 2020 annual statement or for any annual statements filed during the period under examination.

The examiner recommends that the Fund prepare and maintain a general ledger, trial balances and transaction registers that reconcile to its annual statements.

8. SUMMARY AND CONCLUSIONS

Following are the recommendations contained in this report:

<u>Item</u>	<u>Description</u>	<u>Page No(s).</u>
A	The examiner recommends that the Fund adopt an Investment Policy Statement that refers to 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.	5
B	The examiner recommends that the Investment Policy Statement be approved by the board of directors.	5
C	The examiner recommends that the institution 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
D	The examiner recommends that the Fund prepare and maintain a general ledger, trial balances and transaction registers that reconcile to its annual statements.	9

Respectfully submitted,

_____/s/
Ashok Reddy
Senior Examiner

STATE OF NEW YORK)
)SS:
COUNTY OF NEW YORK)

ASHOK REDDY, being duly sworn, deposes and says that the foregoing report, subscribed by him, is true to the best of his knowledge and belief.

_____/s/
Ashok Reddy

Subscribed and sworn to before me
this _____ day of _____

APPOINTMENT NO. 32210

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:

ASHOK REDDY

as a proper person to examine the affairs of the

***SEGREGATED GIFT ANNUITY FUND OF THE
AMERICAN FRIENDS OF THE TEL AVIV UNIVERSITY, INC.***

and to make a report to me in writing of the condition of said

FUND

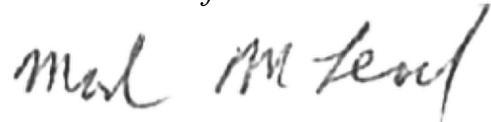
with such other information as he shall deem requisite.

*In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York*

this 10th day of February, 2022

*ADRIENNE A. HARRIS
Superintendent of Financial Services*

By:



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

