



**REPORT ON EXAMINATION  
OF THE  
SEGREGATED GIFT ANNUITY FUND  
OF THE  
CATHOLIC MEDICAL MISSION BOARD, INC.**

**AS OF December 31, 2021**

**EXAMINER: Manish Gera**

**DATE OF REPORT: December 11, 2023**

NEW YORK STATE DEPARTMENT OF FINANCIAL SERVICES

REPORT ON EXAMINATION

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SEGREGATED GIFT ANNUITY FUND

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KATHY HOCHUL  
Governor



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ADRIENNE A. HARRIS  
Superintendent

February 15, 2024

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

Madam:

In accordance with instructions contained in Appointment No. 32366, dated September 28, 2022 and annexed hereto, an examination has been made into the condition and affairs of the Segregated Gift Annuity Fund of the Catholic Medical Mission Board, Inc. The Fund's home office is located at 33-01 11<sup>th</sup> Street, Long Island City, NY 11106.

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 IPS'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 Fund review at least annually its written investment policy setting forth guidelines on investments and delegation of management and the conformance of its delegates 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 violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent. The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent. (See item 6 of this report)

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. (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' examination and assessment of the Catholic Medical Mission Board, Inc. Segregated Gift Annuity Fund (the "Fund") through which Catholic Medical Mission Board, Inc. (the "Mission") provides annuity benefits.

The prior examination was conducted as of December 31, 2016. This examination covers the period from January 1, 2017 through December 31, 2021. As necessary, the examiner reviewed transactions occurring subsequent to December 31, 2021 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, 2021 to determine whether the Fund's filed 2021 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, recommendations and/or comments 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 Catholic Medical Mission Board, Inc. is organized for the purpose of: promoting health care interests and activities unilaterally and in cooperation with the Catholic Church, affiliated and non-sectarian humanitarian organizations; making available pharmaceuticals and medical equipment and supplies to health care facilities; coordinating the placement of professional and para-professional health care workers and students in mission settings; and promoting scholarships for the education of health care professionals and para-professionals in their native countries. The Mission established the Fund to issue gift annuity agreements in return for gifts from donors in 1980. The Superintendent of Insurance granted to the Mission a Charitable Annuity special permit on February 5, 1997.

#### B. Structure

The Fund is overseen by the Mission's board of directors.

#### C. Assets under the Board of Directors

As of the September 30, 2021 audited financial statement, the Mission's Board of Directors oversaw an investment portfolio totaling \$29,928,145. There was no endowment. The Fund, as of December 31, 2021, held total admitted assets of \$4,972,853.

#### D. Third-party Payment Service Provider

State Street Global Advisors is the custodian of the Fund's assets. State Street also performs investment management, benefit payments to annuitants and accounting services, including preparation of the annual statements and calculation of the required annuity reserves. Milliman, an outside actuarial firm, performs the actuarial evaluation of the segregated gift annuity fund on both a fiscal and calendar year basis. K2N Advisors & CPAs assists the Mission in preparation of the Charitable Gift Annuity Annual Statement to include all accounting and tabulation sections of the 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 IPS.

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

State Street Global Advisors is the Fund’s investment adviser and custodian.

State Street Global Advisors 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 & 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>2016</u>	<u>December 31,</u> <u>2021</u>	<u>Increase</u> <u>(Decrease)</u>
Admitted assets	<u>\$3,507,802</u>	<u>\$4,972,853</u>	<u>\$1,465,051</u>
Liabilities	<u>\$2,518,781</u>	<u>\$2,078,934</u>	<u>\$ (439,847)</u>
Minimum required fund balance	\$ 251,878	\$ 207,893	\$ (43,985)
Excess fund balance (surplus)	<u>737,143</u>	<u>2,686,026</u>	<u>1,948,883</u>
Total annuity fund balance	<u>\$ 989,021</u>	<u>\$2,893,919</u>	<u>\$1,904,898</u>
Total liabilities and annuity fund balance	<u>\$3,507,802</u>	<u>\$4,972,853</u>	<u>\$1,465,051</u>

The decrease in liabilities reflects a decrease in the total number of annuities in force. Annuities decreased from 251 with annual payment amounts of \$290,226 as of December 31, 2016 to a total of 200 with annual payment amounts of \$245,488 as of December 31, 2021. The increase in assets and annuity fund balance resulted from investment gains and the Mission's maintenance of the residual amounts from terminated annuities in the Fund itself.

The Fund's admitted assets, as of December 31, 2021, were invested mainly in equity securities (94.16%) and money market mutual funds (5.84%).

## 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.

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 a sample of 9 newly issued gift annuities by the Fund during the examination period noted that in 9 newly issued annuities, the Fund used forms that differed from the gift annuity agreements filed with the Superintendent. The deviating form numbers found in the sample are CMMB-1da-I-NY and CMMB-2J-SP-NY.

The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.

The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.

The examiner’s review of a sample of 7 annuity contracts terminated revealed that in 2 of the 7 cases (28.57%) reviewed, the Fund failed to obtain a copy of the death certificate to confirm termination of the annuity contract.

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.

## 7. PRIOR REPORT SUMMARY AND CONCLUSIONS

Following is the recommendation 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 Fund strengthen the diversification of its investment holdings. If the trustee has determined that it is in the interests of the beneficiaries to deviate from such a recommendation, then it should memorialize the reasons for that determination in terms of the ISS's risk, return, and time horizon parameters.</p> <p>The Department no longer provides specific guidance for diversification in relation to investment conflicts of interest.</p>

## 8. SUMMARY AND CONCLUSIONS

Following are the violations and 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 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
D	The Fund violated Section 1110(a) of the New York Insurance Law by using gift annuity agreement forms that differed from the gift annuity agreement forms that were filed with the Superintendent.	8
E	The examiner recommends that the Fund file with the Superintendent all gift annuity agreement forms that were used and not previously filed with the Superintendent.	8
F	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.	8

Respectfully submitted,

\_\_\_\_\_/s/  
Manish Gera  
Financial Services Specialist 2

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. 32366***

***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  
CATHOLIC MEDICAL MISSION BOARD, 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 28th day of September, 2022*

***ADRIENNE A. HARRIS***  
*Superintendent of Financial Services*

*By:*



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

