



Annuity Purchase Preliminary Analysis

Bert Fish Medical Center, Inc.

Agenda

- Review of what we've done so far
- Summary of preliminary quotes
- Analysis
- Discussion of next steps



Preliminary analysis

Review of what we've done so far

- The pension committee is exploring plan termination, which would include the purchase of annuities from an insurance provider for all participants with annuity benefits in the plan
- To gauge insurer interest and explore pricing, we solicited bids from the Pension Risk Transfer ("PRT") market for a group annuity contract that would exactly replicate benefits participants currently have in the plan
- We requested two bids: one for the entire population, and one for 70% of the population, assuming the other 30% elected to cash out their benefit as a lump sum
- We received bids on June 6th for both groups, summarized on the next pages

Summary of preliminary quotes

Agilis requested quotes from 21 insurers

- Preliminary bids requested on April 25th
- 4 provided quotes as of June 6th
 - American National
 - CUNA
 - Midland National
 - OneAmerica
- 17 declined to bid due to size, deferred annuities, an unknown timeline, and/or the COLA benefit
 - Athene
 - Corebridge
 - Fidelity & Guaranty
 - Global Atlantic
 - Legal & General
 - MassMutual
 - MetLife
 - Mutual of America
 - Mutual of Omaha
 - Nationwide
 - New York Life
 - Pacific Life
 - Principal
 - Prudential
 - RGA
 - Securian
 - Western-Southern

Summary of preliminary quotes for Group 1

Control totals (Group 1 – all participants)

	Deferred	In-pay	Total
Number of Annuitants	13	159	172
Total monthly benefits	\$4,875*	\$225,869*	\$230,744*

Agilis has confirmed that all quotes received match the number of participants and monthly benefit figures above

Preliminary quotes		
	Total	% above lowest bid
American National	\$38,357,657	
CUNA	\$39,306,199	2%
Midland National	\$39,905,000	4%
OneAmerica	\$41,157,500	7%
Estimate as of 06/06/2024**	\$39,430,000	

*As of January 1, 2024.

**Assumptions: 5/31/2024 FTSE Pension Discount Curve -16 bps and the Pub-2010 general mortality rates for employees, retirees, and contingent annuitants projected generationally with Scale MP-2021

Summary of preliminary quotes for Group 2

Control totals (Group 2 – select participants)

	Deferred	In-pay	Total
Number of Annuitants	11	109	120
Total monthly benefits	\$3,942*	\$154,833*	\$158,775*

Agilis has confirmed that all quotes received match the number of participants and monthly benefit figures above

Preliminary quotes		
	Total	% above lowest bid
American National	\$26,632,763	
CUNA	\$27,674,263	4%
Midland National	\$27,783,000	4%
OneAmerica	\$28,609,709	7%
Estimate as of 06/06/2024**	\$27,410,000	

*As of January 1, 2024.

**Assumptions: 5/31/2024 FTSE Pension Discount Curve -16 bps and the Pub-2010 general mortality rates for employees, retirees, and contingent annuitants projected generationally with Scale MP-2021

Analysis of preliminary quotes

- Our estimates of the cost were sound; pricing came in near our estimate
 - Generally, final pricing is somewhat more competitive than the preliminary quotes, when compared to our “fair value” estimates, so if anything we’d expect the cost to be more favorable
- One concern we had about offering a cash out option to retirees was that insurer concerns about “anti-selection” would make the group annuity contract much more expensive – but this does not appear to be the case
 - Our estimate of the purchase cost (without accounting for anti-selection) was that the sub-group was 30.5% lower, and this is broadly consistent with insurer pricing
- The cost is subject to change – in particular, in tandem with high quality, long duration fixed income prices.
 - This cost is “as of” June 6th – should be similar to June 24th (date this material is finalized) but could change materially
 - For context, prices were ~2.5% higher in early February, but ~3.5% lower in late April

Next steps

- Decide on path forward
 - Formal plan termination
 - Communications process
 - Lump sum window
 - Just deferred participants or retirees as well?
- Finalize communications plan
- Determine timeline
- Request final quotes



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