



MERCER SMARTDB™

A SMARTER APPROACH TO MANAGING LONGEVITY RISK

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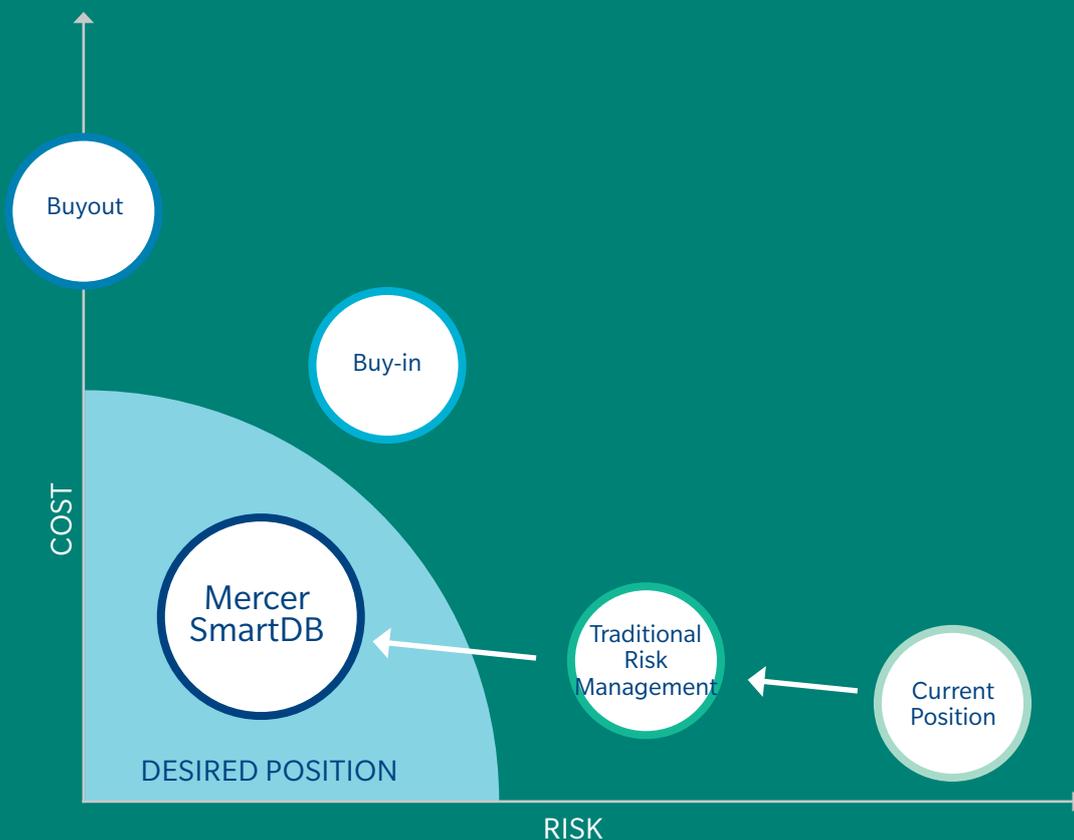
MERCER SMARTDB™

A SMARTER APPROACH TO MANAGING LONGEVITY RISK

Mercer SmartDB™ is a groundbreaking new solution that enables defined benefit (DB) pension plans to retain control while managing cost and risk within a strong investment and broader governance framework. It features a new streamlined longevity hedge solution arranged in partnership with leading global insurer Zurich and is available only through Mercer. This innovative new approach provides a competitive longevity risk solution to all but the smallest schemes.

The longevity hedge solution, in combination with Mercer's market-leading fiduciary management services, makes Mercer SmartDB a viable alternative to buy-in in the short term and to buyout in the longer term. It is also flexible and can be tailored to include appropriate actuarial, plan administration, and trustee governance services.

MOVING TO DESIRED RISK POSITION WITH MERCER SMARTDB



THE CHALLENGE

Many pension plans have made significant strides over the past few years in understanding and better managing the risks to which they are exposed. For some, this has involved diversifying away from equities to find alternative sources of return. For others, this has involved better understanding the liabilities and then building liability-matching portfolios to mitigate the risk that changes in interest rates and expected inflation can have on the value of the liabilities. And many have turned to delegated investment, or fiduciary management, approaches to move towards the required funding level while progressively reducing risk.

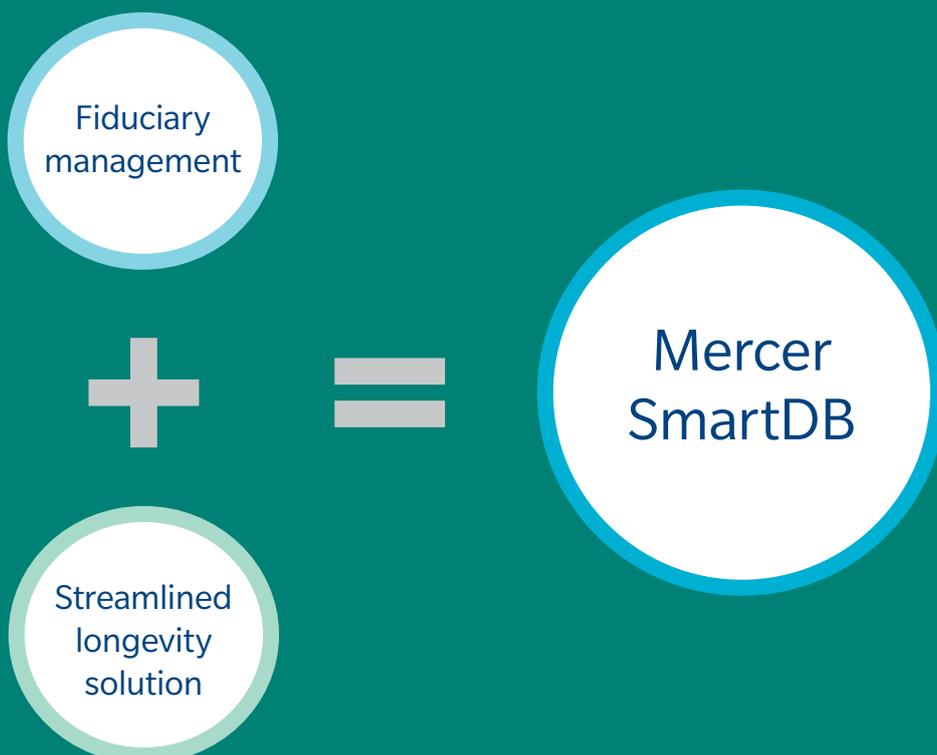
However, there is one major risk that very few plans have been able to address — *longevity risk* ... the risk of members living longer than expected and thereby increasing the total pension payments to be made by the plan. Only a small number of the very largest pension plans have been able to address this because, for most, the tools needed to mitigate it have not been readily available to them and the costs and complexity have been prohibitive.



MERCER'S NEW SOLUTION

Mercer SmartDB provides access to a complete hedging and governance solution, eliminating many of the risks at a more manageable cost. We have used our experience with bespoke and complex longevity hedge transactions, combined with our market-leading fiduciary management capabilities, to establish a new approach for a whole new market.

For a fully outsourced solution, our complementary actuarial, plan administration, and trustee governance services can be included in the Mercer SmartDB package to suit the client.



KEY FEATURES OF MERCER SMARTDB



Fiduciary management

- End-to-end investment outsourcing solution, customised to your plan's circumstances and requirements.
- Tailored governance framework to lock in market gains and manage funding volatility.
- Holistic de-risking roadmap to move towards required funding level while progressively reducing risk.



Streamlined longevity solution

- Competitive pricing.
- Standard implementation process.
- Partnering with a UK-based insurer.
- Pre-selected panel of reinsurers.
- Access to Financial Services Compensation Scheme.

THE BENEFITS OF MERCER SMARTDB



Access to risk management instruments previously available only to very large pension schemes.



Lower costs and faster implementation than those for a typical longevity hedging exercise.



Improved long-term governance structure through access to Mercer's market-leading fiduciary management expertise.



Freedom to create the most cost-effective solution with the lowest risk, whether that be self-sufficiency, buy-in, or ultimately buyout.



Flexibility to create a bespoke package of complementary services with the option to bundle pricing into a single asset-based fee.

WHY MERCER?

Smart Thinking

- Our Fiduciary Management business was the first to introduce dynamic de-risking to the UK.
- We have been instrumental in the development of the longevity risk transfer market since it began, including advising on groundbreaking deals with innovative features.

Experience

- Our Fiduciary Management business has over \$20 billion of funds under delegated investment management in the UK and \$100 billion globally, making Mercer the largest investment outsource manager by discretionary assets in the world.*
- We have helped numerous clients to arrange longevity hedges and have been involved in some of the largest deals.

“We have been delighted with the performance of the plan’s investments over the last year. The opportunistic de-risking of the investment strategies, implemented by Mercer, has been such that the trustees have now found the ‘endgame’ for the plan in sight and, with investment risk now significantly reduced, the expected time to complete de-risking of the plan’s assets can be measured in terms of years rather than decades.”

Chair of trustees

*Source: Pensions & Investments; worldwide assets under management as at 31 March 2014.



Expertise

- We have some of the best experts on managing DB pension risk in the market, drawn from a wide range of disciplines, including actuaries and investment consultants, as well as employer covenant and governance consultants, and administrators.



Market Knowledge & Relationships

- Our market knowledge and the strength of our relationships with risk transfer insurers have enabled us to negotiate excellent longevity hedge terms and streamlined processes exclusively for our clients.

“Over recent years, Mercer has worked closely with the trustees to manage risks in the scheme. This has involved a detailed review of all the available options to help manage the scheme’s risk exposure, including investment, bulk annuity, and longevity hedging products. This then led to a transaction [that] met the objectives of removing the key risks of investment and longevity. The deal eventually negotiated by Mercer was competitively priced and involved the development of a number of innovative features.”

Chair of trustees

FIND OUT MORE

If you would like to find out more about how Mercer SmartDB can help manage your pension plan's risks, please contact your usual Mercer consultant or any of the following Mercer experts:

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