

# MERCER

Consulting. Outsourcing. Investments.



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN



16 November 2010

## DC Investment Options

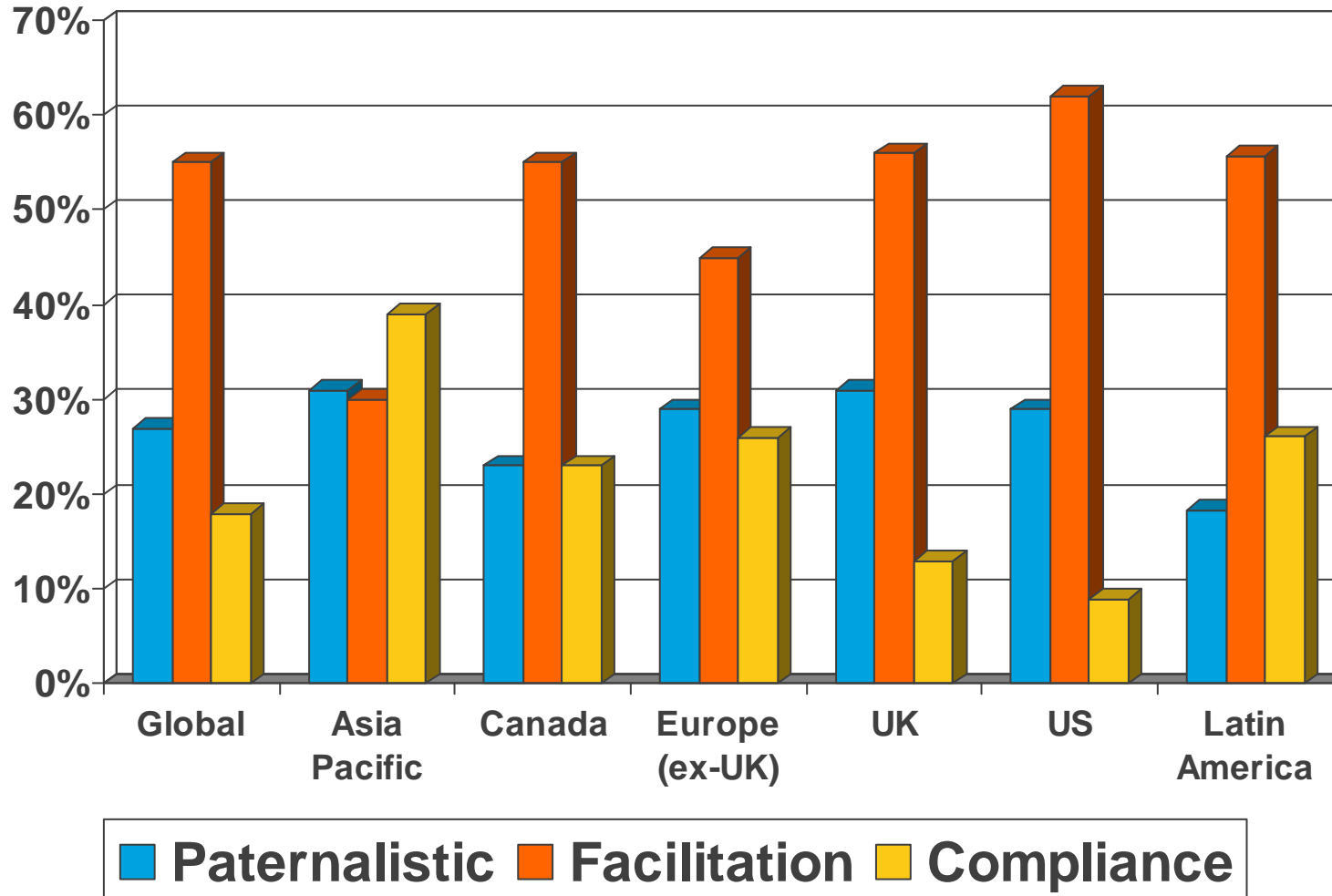
Craig Burnett, Paris



# Research

## Plan sponsors and their roles

Facilitators rather than paternalistic



## Top risks associated DC plans

Market volatility and employee understanding

<b>Risk Source</b> (% of European Co's identifying this source)	<b>European Rankings</b>	<b>Global Rankings</b>
Sufficiency of member communications and education (61%)	1	1
Market and investment risks (60%)	2	2
Adequacy of member benefits (55%)	3	4
Poor member decision-making (40%)	4	3
Administration failures (37%)	5	7
Ability to recruit and retain employees (32%)	6	6
Cost volatility (31%)	7	5

## Top three investment options

Varies by geography

### Global

1. Balanced
2. Lifecycle
3. Fixed Income

### United States

1. Lifecycle
2. Value
3. Balanced

### United Kingdom

1. Lifecycle
2. Fixed Income
3. Global Equity  
(passive)

### Europe ex-UK

1. Fixed Income
2. Balanced
3. Local Equity  
(active)

### Canada

1. Money Market
2. Local Equity  
(active)
3. Balanced

### Latin America

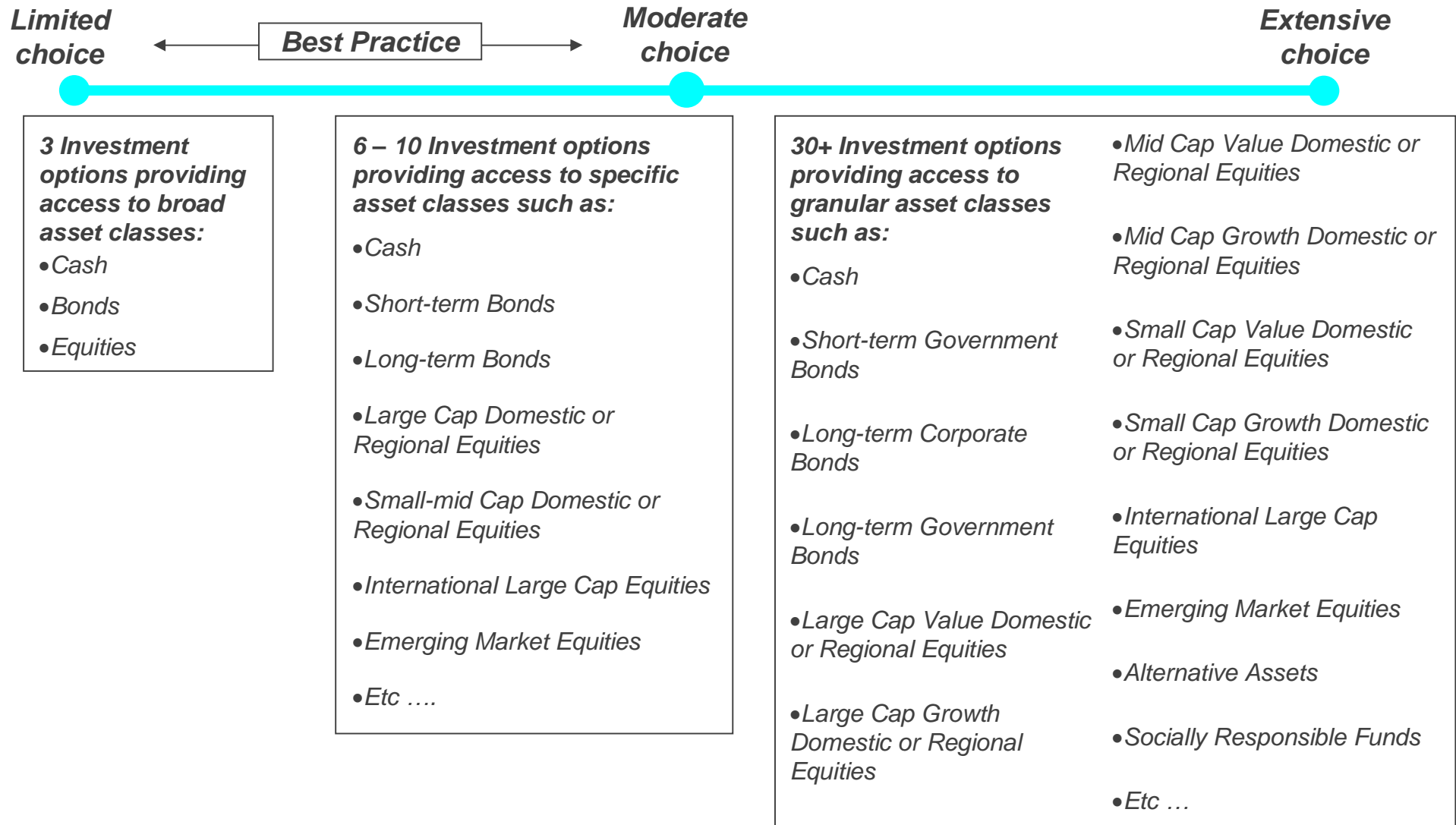
1. Balanced
2. Fixed Income
3. Money Market

### Asia Pacific

1. Balanced
2. Fixed Income
3. Local Equity  
(active)

# Mercer Point-of-view

## Offering manageable choice



## Employee reactions to the financial crisis

Is “no reaction” a good thing?

### Global

1. Asked about investment performance
2. Changed asset allocation
3. No reaction

### United States

1. Changed asset allocation
2. Decreased / stopped contributions
3. Asked about investment performance

### United Kingdom

1. No reaction
2. Asked about investment performance
3. Asked about DC plan security

### Europe ex-UK

1. Asked about investment performance
2. Asked about DC plan security
3. No reaction

### Canada

1. Asked about investment performance
2. Changed asset allocation
3. No reaction

### Latin America

1. No reaction
2. Asked about investment performance
3. Asked about DC plan security

### Asia Pacific

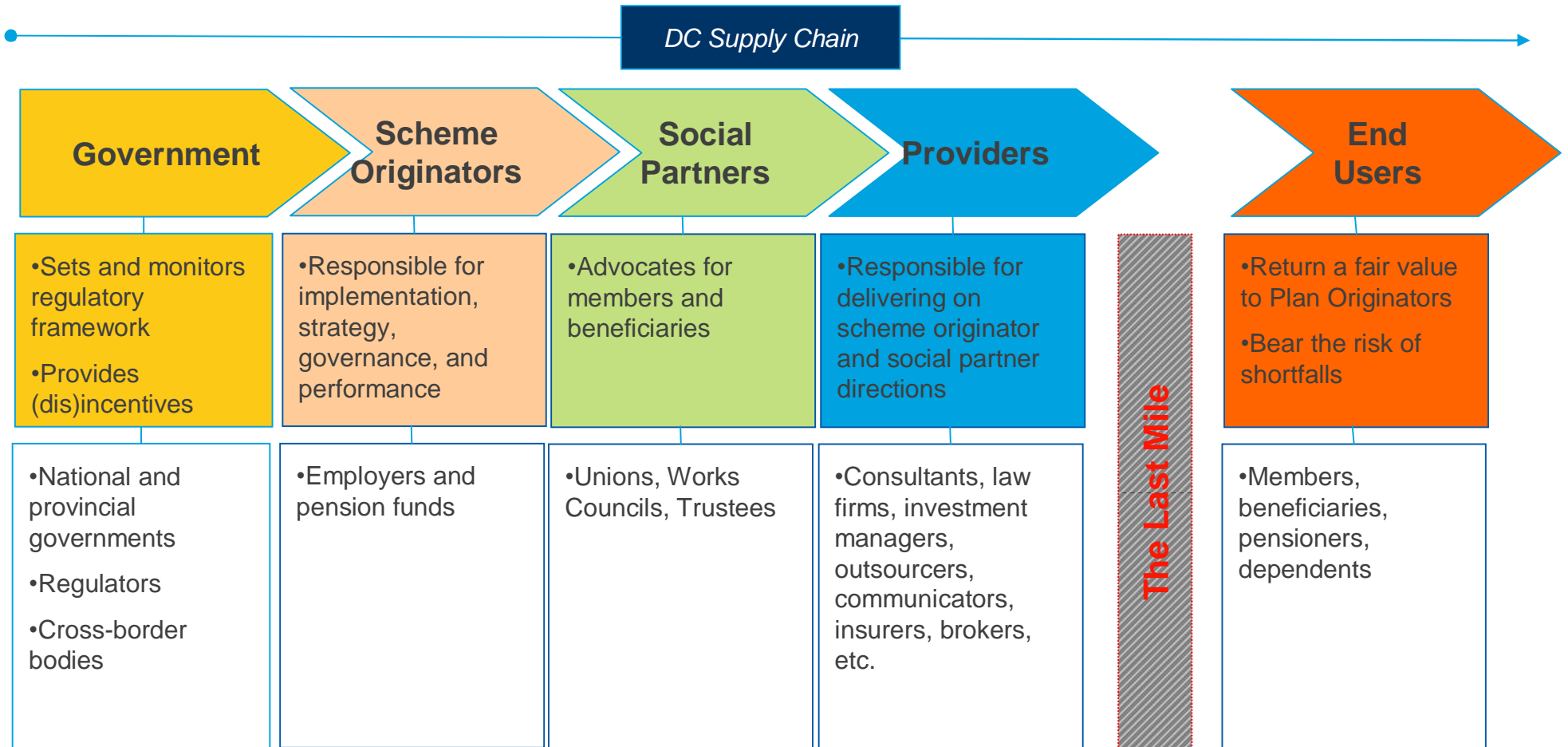
1. Asked about investment performance
2. No reaction
3. Asked about DC plan security



# Solutions

# DC Scheme Strategy

## The Last Mile



***This is the weak point in the DC delivery system.  
And a chain is only as strong as its weakest link***

## Decision-making preferences

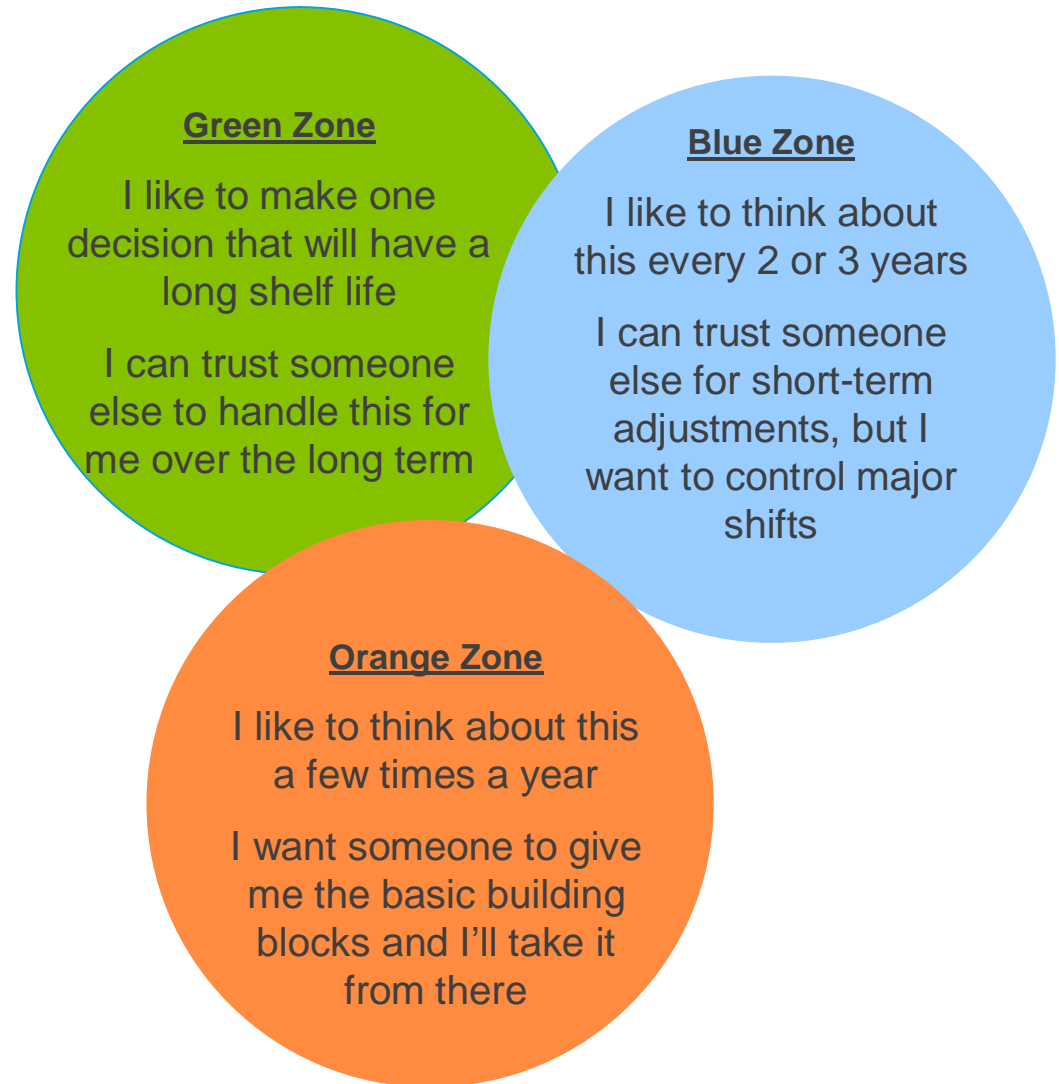
... more important than product preferences

- Start member engagement at a different point.
  - Traditionally, we started with a list of investment products
- But most members do not have well formed preferences for investment products or strategies
  - So they create temporary preferences on the fly
- We need to start by asking them how they prefer to make investment decisions:
  - Do it for me
  - Help me do it
  - Do it myself

## Member Choice

### Choice of what?

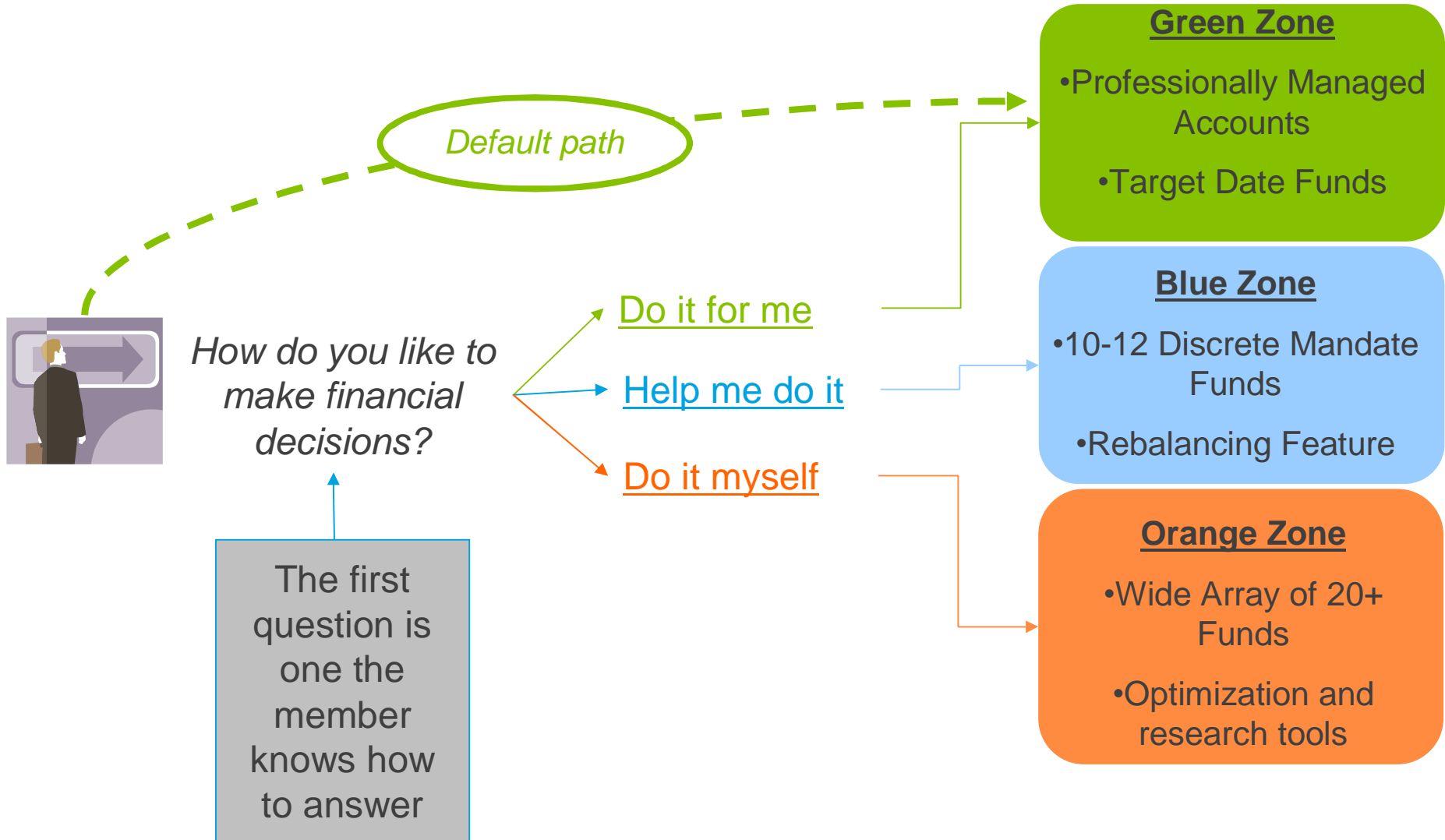
- Reframing the choice.
  - Shift the focus of our *initial* engagement with the end-user
  - Matched to member preference
  - Away from lists of investment products
  - And onto *their* decision-making preferences
- Offer 2 – 4 “Choice Environments”
  - Each designed for a different decision-making profile
  - And initially described in those terms
  - Each equally valid and capable of achieving the desired result



# Member Choice

Offering a Different Choice

Illustration Only



# MERCER



MARSH MERCER KROLL  
GUY CARPENTER OLIVER WYMAN