



Building a brighter future together

City of Los Angeles Deferred Compensation Plan

November 16, 2021

welcome to brighter



Agenda

- **Organizational Background**
 - Account support (who on your team will be lead and how other roles are filled)
 - Organization ownership structure
 - Organization leadership
- **Investment Experience**
 - Investment option monitoring, analysis and reporting resources and approach, including discussion of your proprietary or sub-contracted resources
 - Review of how you would approach supporting the DCP investment lineup, including its bond, equity, stable value, asset allocation, and bank deposit account funds
 - Procurements, searches and contracts support
 - Fund transition services
 - Research, training and other services
- **Fees**
 - Proposed fees

Organizational Background



Organizational background – account support

Your Mercer team



Devon Muir, CFA
Lead Consultant

- Principal
- Senior Investment Consultant
 - 18+ years DC experience
 - 13+ years with Mercer
 - 11+ years experience with City of LA DCP



Ana Tom-Chow
Co-Lead Consultant

- Senior Associate
- Investment Consultant
 - 25+ years experience
 - 25+ years with Mercer
 - 15+ years with City of LA DCP



Peter Eibsen
Investment Associate

- Associate
- Clients > \$1B: 5
 - 5+ years DC experience
 - 3+ years with Mercer
 - 3+ years with City of LA DCP



Julietta Bell
Senior Investment Associate

- Senior Associate
- 20+ years experience
 - 1+ year with Mercer
 - 0.5 years with City of LA DCP



Greg Cran
Head of Transition and Transaction Consulting

- Principal
- Mercer Sentinel
 - 20+ years experience
 - 11 years with Mercer

Investment management and advisory services for US clients are provided by Mercer Investments LLC (Mercer Investments), which is one of several, associated legal entities that provide investments services to clients as part of a global investment advisory and investment management business (collectively referred to as “Mercer”). Mercer Investments LLC is registered to do business as “Mercer Investment Advisers LLC” in the following states: Arizona, California, Florida, Illinois, Kentucky, New Jersey, North Carolina, Oklahoma, Pennsylvania, Texas and West Virginia; as “Mercer Investments LLC (Delaware)” in Georgia; as “Mercer Investments LLC of Delaware” in Louisiana; and “Mercer Investments LLC, a limited liability company of Delaware” in Oregon.

Organizational background – account support

Additional DC resources and marketplace presence

Consultants and clients

Investment resources

- DC Investment Committee
- Strategic Research Teams (SRT)
 - Target Date SRT
 - Stable Value SRT
 - Retirement Income SRT
 - Managed Account SRT
- Global Manager Research
- Global Strategic Research

Non-investment resources

- DC Vendor Committee
- DC&FW specialist projects
- Law & Policy Group¹
- Vendor research
 - Independent fiduciary
 - Transition manager
 - Custodian
 - Financial wellness

Industry affiliations

- Employee Benefits Research Institute (EBRI)
- Defined Contribution Institutional Investments Association (DCIIA)
- Plan Sponsor Council of America (PSCA)
- American Benefits Council (ABC)
- ERISA Industry Committee (ERIC)
- US Chamber of Commerce
- CFA Institute

External communication mediums

Mercer.us

Social media (LinkedIn, Twitter)

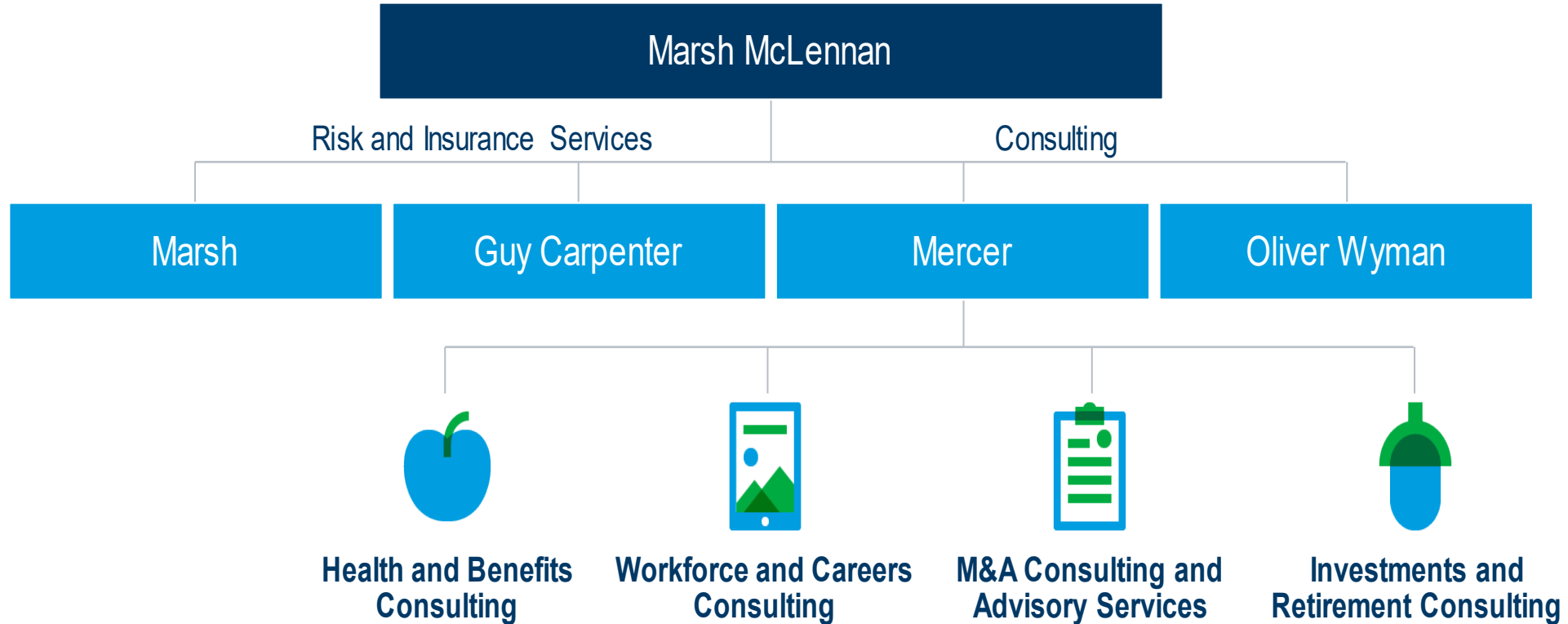
Quarterly DC Trends and Highlights

Strategic Research Center

¹ Mercer does not provide legal advice. You should contact your attorney before making any decisions with legal implications.

Organization ownership structure

Wholly-owned subsidiary of publicly traded Marsh McLennan



Organizational leadership

Our US Wealth Business (Investments and Retirement Consulting)



CHRIS MAHONEY
 US Wealth Leader
 Washington, DC

Markets	Segments		
Market Business Leaders Office Business Leaders Market Development Team	<ul style="list-style-type: none"> • Investments • OCIO • Defined Benefit • Not-for-Profit <ul style="list-style-type: none"> • Sentinel • Financial Strategy Group • Defined Contribution • Financial Intermediaries 		
National Consulting & Operations Team			
Actuarial WAS (Louisville)	Investments WAS (India)	Administration	
Support Functions			
Legal/Compliance Human Resources	Knowledge Management Marketing	Strategic Initiatives Communications	

Organization leadership

Mercer's Wealth business

45+

Years' experience

1,300+

Staff³

200+

Global Manager Researchers²

1.4%

Average per annum value add of "A" rated managers since inception³

\$1.2+ Trillion

US DC aggregated assets¹

700+

US DC clients¹

24

US DC clients with assets >\$5 billion¹

15

US public DC advisory clients with aggregate assets of \$806 billion¹

Global Rank Consultant ⁴	Global Assets Under Advisement (USD BN)
1. Mercer	\$15,961

2. Aon Hewitt Investment	\$3,443
3. Cambridge Associates	\$2,879
4. Willis Towers Watson	\$2,600
5. RVK	\$2,551

Global rank OCIO ⁴	Global Assets Under Management (USD BN)
1. Mercer	\$366.9

2. The Goldman Sachs Group, Inc.	\$207.7
3. Aon	\$202.8
4. Russell Investment	\$183.8
5. State Street Global Advisors	\$181.1

¹ As of 12/31/2020.

² As of 6/30/2021. Please see guide to [Mercer's Investment Strategy Research Ratings](#)

³ As of 9/30/2020. Please see Important Notices for further information on Value Added. Performance is gross of investment management fees and certain other expenses. Past performance does not guarantee future results. [Mercer Investment Strategy Research Ratings](#)

⁴ This table was compiled by Mercer from "Pension & Investment" magazine's 2021 Outsourcing Survey, worldwide outsourced assets under management as of March 31, 2021 as reported by each firm to P&I (<https://researchcenter.pionline.com/v3/rankings/outsourcing-manager/datatable>). AUM data as of March 31, 2021. Mercer did not pay a fee to be included in this survey. This survey is not indicative of the adviser's future performance. **Please see Important Notices for important information about Assets under Advisement.**

Investment Experience



Investment option monitoring

Mercer Investment Manager Research

Average excess return of A-rated managers: 1.4% per annum since inception¹

Manager and strategy statistics²



Idea generation

How strong is the manager's ability to generate value-adding investment ideas?

Portfolio construction

How effectively are these investment ideas translated into weightings within portfolios?

Implementation

How much of the value-add is given back in the form of transaction costs and opportunity costs?

Business management

Well-managed investment firms are more likely to maintain and enhance the competitiveness of their investment strategies over time.



205 investment research professionals ³				
private markets	fixed income	equity	diversifying alternatives	wealth management research
106	27	38	26	5

¹ As of June 30, 2021. Performance is gross of investment management fees and certain other expenses. Past performance does not guarantee future results. Please see Important Notices for further important information on Value Added. Value add performance includes the reinvestments of dividends and other income. Please see the Guide to Mercer's Investment Strategy Ratings: <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gl-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>

² Manager and Strategy statistics as June 30, 2021; includes sub-advised strategies. Investment Professionals exclude Financial Services and are FTE (not count of employees).

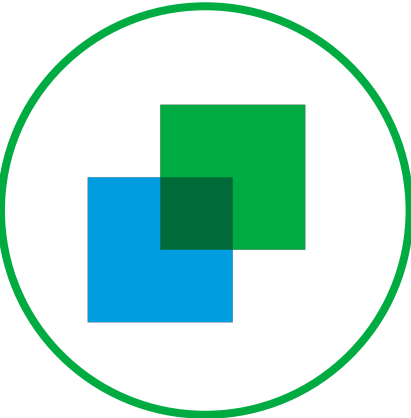
³ Investment Research Professionals as of June 30, 2021; excludes 20 central leadership & support staff

Investment approach and philosophy for the DCP line-up

Bond and Equity Options



Streamlined investment menu



Disaggregated fees



Highly-rated investment managers



Institutional investment vehicles



Customized Multi-manager funds

Goal: Seek improved participant outcomes + mitigate fiduciary risk

Investment approach

Investment structure guided by participant demographics

Analyze participant demographics

- Collect participant demographic data from Voya
 - Deferral rates
 - Allocations
 - Age
 - Tenure
 - Compensation level
- Assess core menu structure and participant usage
- Risk-based profile allocation suitability
- DB plan considerations
- Retirement readiness

Recommendations

- **Recommend investment structure based on participant demographics and Committee input**
 - **Number and type of options**
 - **Asset classes included**
- **Mix of active/passive**
- **Implications for custom DCP multi-manager funds**
- **Scale considerations**

Implementation

- Procurement/search process
- Vehicle selection/considerations
- Leverage relationships when obtaining pricing
- Timing
- Communications

Investment approach

Risk profile fund modeling

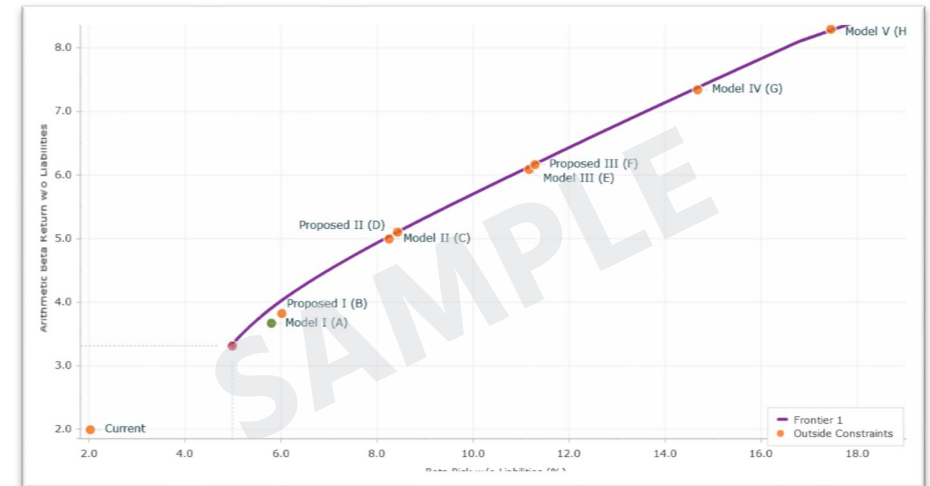
Mercer Capital Market Outlook – April 2020

Asset Class	Mean-Variance Assumptions						Equilibrium (long-run) Return
	20-Yr Assumptions			Shorter Geometric Returns			
	Geometric return	Arithmetic return	Standard Deviation	3-Yr	5-Yr	10Yr	
Cash & Fixed Income							
US Cash	2.0%	2.0%	2.0%	0.3%	0.5%	1.2%	2.7%
US Government FI	1.9%	2.0%	5.2%	0.3%	-0.2%	0.2%	3.6%
US Aggregate FI	2.4%	2.5%	5.3%	1.7%	0.8%	0.8%	3.9%
Global Broad FI Unhedged	2.3%	2.5%	6.5%	1.6%	0.7%	0.7%	3.9%
US High Yield FI	5.0%	5.5%	10.0%	7.8%	5.4%	4.3%	5.7%
Domestic Equity							
US Large Cap Equity	6.4%	7.9%	18.0%	6.2%	6.2%	6.2%	6.6%
US Mid Cap Equity	6.8%	8.5%	19.6%	6.5%	6.5%	6.5%	6.8%
US Small Cap Equity	7.0%	9.1%	22.2%	6.8%	6.8%	6.8%	7.1%
International Equity							
Non-US Developed All Cap Equity Unhedged	6.6%	8.5%	20.4%	6.6%	6.6%	6.6%	6.6%
Emerging Markets Equity Unhedged	8.1%	11.1%	26.5%	8.1%	8.1%	8.1%	7.8%
AC World ex-US All Cap Equity Unhedged	7.0%	9.0%	20.9%	7.0%	7.0%	7.0%	6.8%

Key points

- Risk profile modeling involves using internal capital market assumptions for investable asset classes.
- Measuring current portfolio allocations versus efficient frontier using current market assumptions
- Optimizing allocations seeking to meet the needs of the DCP population based on unique demographic characteristics

Efficient frontier analysis



Expected Risk/Return Stats of Current Vs Proposed Portfolios

Asset class allocation	Model I		Proposed I		Model II		Proposed II		Model III		Proposed III		Model IV		Model V*	
	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
US Cash	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
US Core Bonds (Intermediate)	65%	70%	48%	51.5%	35%	37.5%	20%	5%								
Global Bonds (Broad Market)	10%	0%	7%	0%	5%	0%	0%	0%								
US High Yield	10%	15%	10%	13.5%	5%	7.5%	5%	5%								
US Large Cap Equity	8%	8%	13%	13%	21%	21%	28%	33%								
US Mid Cap Equity	2%	2%	3%	3%	5%	5%	8%	10%								
US Small Cap Equity	0%	0%	3%	3%	5%	5%	8%	10%								
All Country World ex-US Equity	5%	5%	12%	12%	18%	18%	23%	27%								
Emerging Markets Equity	0%	0%	4%	4%	6%	6%	8%	10%								
Total Cash & Fixed Income	85%	85%	65%	65%	45%	45%	25%	10%								
Total Equity Exposure	15%	15%	35%	35%	55%	55%	75%	90%								
Int'l Equity Exposure	5%	5%	16%	16%	24%	24%	31%	37%								
Expected risk/return																
Geometric Return (%)	3.5	3.7	4.7	4.8	5.5	5.6	6.4	6.9								
Arithmetic Absolute Return (%)	3.7	3.8	5.0	5.1	6.1	6.2	7.3	8.3								
Standard Deviation (%)	5.8	6.0	8.3	8.4	11.2	11.3	14.7	17.5								
Return / Risk (%)	0.63	0.64	0.61	0.61	0.55	0.55	0.50	0.48								
Total Value at Risk (%) Worst 5%	-5.9	-6.1	-8.6	-8.8	-12.3	-12.5	-16.9	-20.5								
10-year return probabilities (%)																
Exceed 0% annualized over 10-years	97%	97%	97%	97%	95%	95%	92%	91%								
Exceed 5% annualized over 10-years	21%	24%	45%	46%	56%	56%	62%	64%								
Exceed 7.5% annualized over 10-years	2%	2%	14%	15%	29%	29%	40%	46%								
Exceed 10% annualized over 10-years	0%	0%	2%	3%	10%	11%	22%	29%								

Expected returns are hypothetical average returns of economic asset classes derived using Mercer's Capital Markets Assumptions. There can be no assurance that these returns can be achieved. Actual returns are likely to vary. Please see Important Notices for further information on Return Expectations

Investment approach

Capital preservation options

Stable Value approach

- Continue to use Mercer's Stable Value Strategic Research Team expertise (led by Preet Prashar who has supported the DCP) to oversee and periodically procure the DCP's Stable Value offering
- Focus is on 3 pillars of diversification (bond portfolio, wrap provider, and underlying

1. FIXED INCOME PORTFOLIO



2. WRAP AGREEMENT(S)



3. STABLE VALUE PORTFOLIO



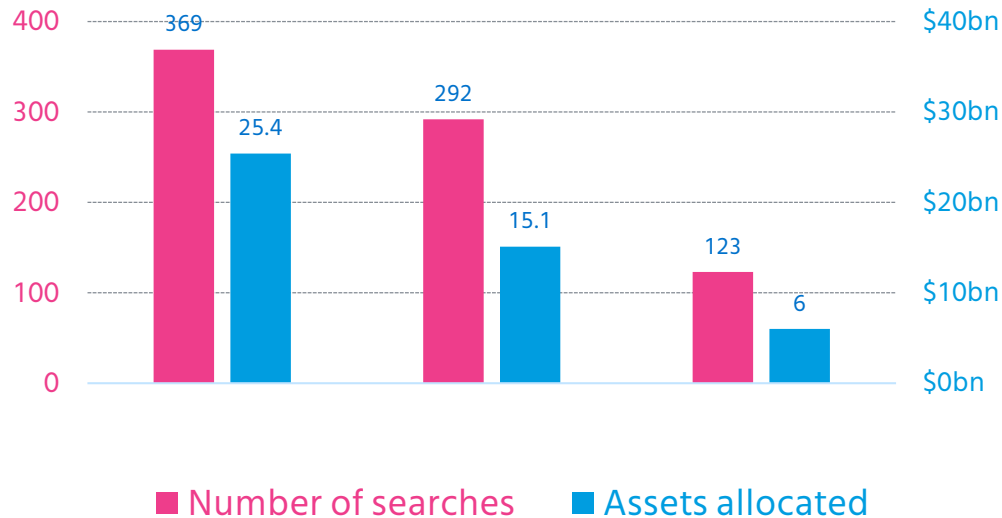
FDIC-insured option approach

- Continue to work with the City to obtain multiple provider FDIC option framework helping ensure greater FDIC-coverage for DCP participants
- Periodically assist in procurements seeking products with the following attributes:
 - Provider financial strength
 - Competitive and transparent crediting rate
 - Attractive and economics
 - DC-viable vehicle with strong TPA interface
- Continue to proactively prepare for post-LIBOR world for reference rate

Procurements, searches, and contract support

Expertise in identifying and procuring highly qualified investment managers

Mercer US searches



Source: MercerInsight® as at June 30, 2021.



City of LA search history

- 2013 – FDIC RFP procurement
- 2014 - 2015 – Stable Value RFP procurement
- 2015 – Mutual Fund search process
 - 13 funds
- 2018 – FDIC – assist with FDIC procurement
- 2020 - 2021 – Stable Value RFP procurement
- 2020 - present – Institutional Product RFP procurement and mutual fund search
 - 13 funds

Fund Transition Services

Mercer Sentinel



❖ Dedicated global specialist team

- ✓ Specialized industry experience
- ✓ Multi-disciplinary expertise



❖ Risk management consulting

- ✓ Operational risk consulting: internal and external
 - Governance/operating model consulting
- ✓ Custody search and evaluation consulting
 - Fee benchmarking
- ✓ Manager transition
 - Transaction execution cost and efficiency consulting



❖ Value

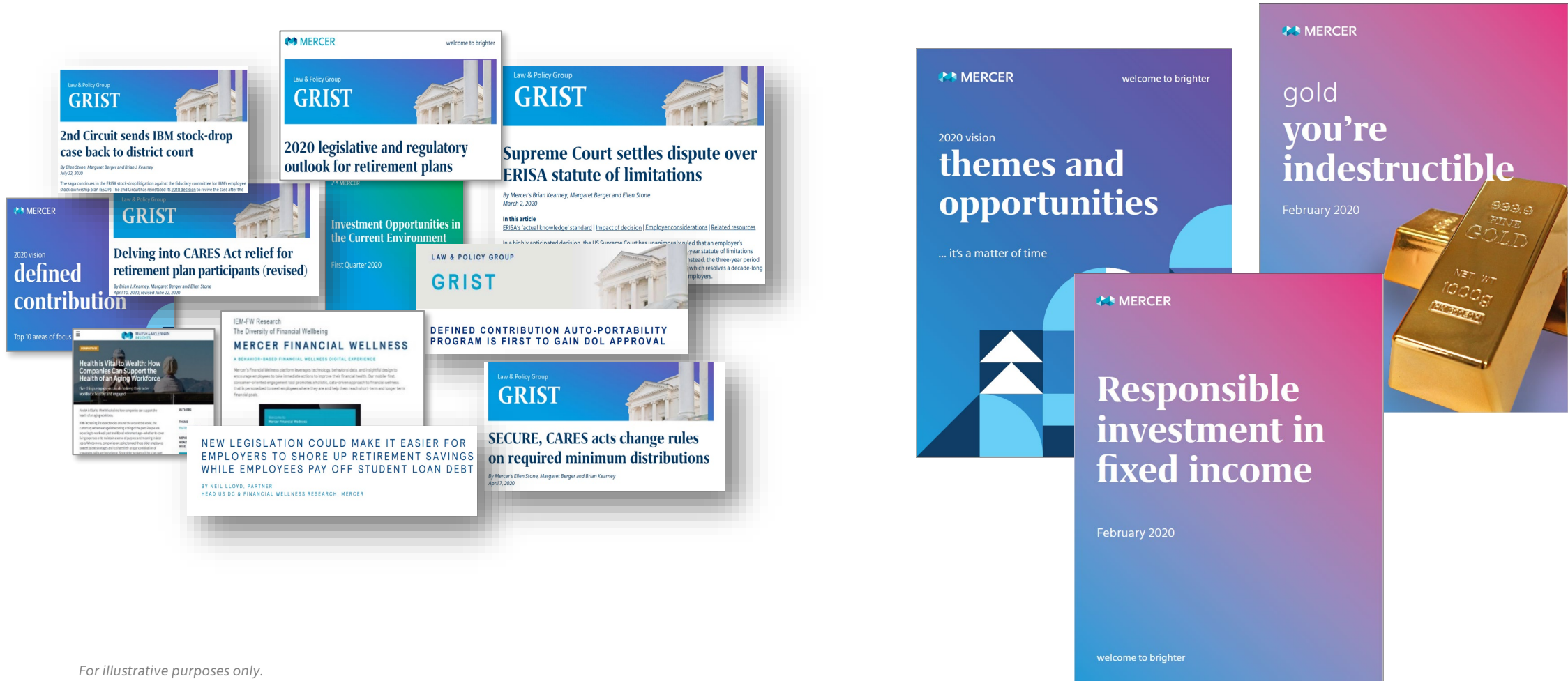
- ✓ Seeking to reduce risk and potentially improve returns
- ✓ Objective is to decrease costs/fees
- ✓ Help improve third-party services

All institutional investors restructure assets, and the DCP will be increasing transition activity moving forward as its use of Institutional Products increases.

Transition manager searches are typically for investors with separate-account assets: individual securities managed on their behalf.

Transition project management for defined contribution plans (401k, 457, and 403b) is more likely to happen with commingled funds that restructure as cash transfers. **Sentinel can assist with complex restructurings involving cash transfers.**

Research, training, and other services



For illustrative purposes only.

Fees



Proposed Fees

Performance Monitoring annual retainer: \$82,000 annually *

- Provide quarterly economic reporting and analysis of investment manager performance, risk, and participant utilization/activity.
- Quarterly reporting on investment fees relative to peers and lower cost share class/vehicle analysis and assist with fee negotiations
- Advise on manager/fund retention or termination as part of the formal review process
- Ad-hoc news items on manager news items, organizational changes, and other developments material to the Board

Strategic and ad-hoc consulting services

- Work outside scope of annual performance and investment monitoring retainer.

Title	Indicative City of LA consulting team member in this category	Hourly rate
Partner	None currently assigned	\$590 - \$650
Principal Consultant	Devon Muir, Greg Cran, Preet Prashar	\$510 - \$590
Senior Consultant	None currently assigned	\$415 - \$500*
Managing Consultant	N/A	N/A
Consultant	N/A	N/A
Associate	Ana Tom-Chow, Julietta Bell, Peter Eibsen	\$310 - \$415*
Analyst	Appointment pending	\$195 - \$300*

*Held consistent from current arrangement

Conclusion

4

Why Mercer?

1

Track record of successful collaboration and innovation with DCP staff and Board

2

Tenured consulting team knowledgeable in DCP specific challenges, and opportunities

3

24 US DC clients over \$5 billion¹

4

Depth & breadth of specialist resources

¹ As of December 31, 2020.

Appendix

Our ratings scale

A

Strategies assessed as having **“above average”** prospects of outperformance

B+

Strategies assessed as having **“above average”** prospects of outperformance, but with some reservations.

B

Strategies assessed as having **“average”** prospects of outperformance

C

Strategies assessed as having **“below average”** prospects of outperformance

R

The **R rating** is applied in two situations:

1. Mercer has carried out some research, but has not completed its full investment strategy research process
2. Mercer has in the past carried out its full investment strategy research process on the strategy, but we are no longer maintaining full research coverage

N

No rating, strategies not currently rated by Mercer

W

Watch: where there is some uncertainty about a rating that we do not expect to be resolved soon, but consider it unlikely that it will lead to a rating change

T

Tracking error: potential for high tracking error or high volatility

P

Provisional rating: where there is uncertainty about a rating that we expect to resolve quickly

Research indications

Green

“Above average” prospects of resulting in an investable rating

Amber

“Average” prospects of resulting in an investable rating

Red

“Below average” prospects of resulting in an investable rating

Please see the Guide to Mercer’s Investment Strategy Ratings <https://www.mercer.com/content/dam/mercer/attachments/private/nurture-cycle/gi-2020-wealth-guide-to-mercers-investment-strategy-research-ratings-mercer.pdf>

Mercer's ESG Ratings

ESG ratings are undertaken by Mercer's global manager research team. They are on a scale from 1 (highest) to 4 (lowest) and assess how well managers integrate ESG factors into investment processes.

ACTIVE	ESG 1 Leading approach to integration, where ESG is embedded in investment philosophy ; strong on stewardship which is a core part of process	ESG 2 Consistent and repeatable process to ESG integration (focus on risk management); well-developed evidence of stewardship.	ESG 3 Well-developed G integration; less consistency in E&S ; stewardship process is ad hoc, but indications of progress.	ESG 4 Little or no integration of ESG factors or stewardship into core processes and no indication of future change.
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Ratings for passive equity strategies differentiate how well firms undertake their stewardship activities such as voting, engagement, industry collaboration and reporting.

PASSIVE	ESG p 1 Leaders in V&E across ESG ; stewardship activities and ESG initiatives undertaken consistently at a global level ; clear link between engagement & voting actions	ESG p 2 Strong approach to V&E across ESG topics, and initiatives at a regional level, with progress made at a global level; working towards clearer links between V & E	ESG p 3 Focus of V&E tends to be on governance topics only , or more regionally focused with less evidence of E&S (in V&E, as well as other internal ESG initiatives)	ESG p 4 Little or no initiatives taken on developing a global V&E capability, reactive engagements; and little progress made on other ESG initiatives
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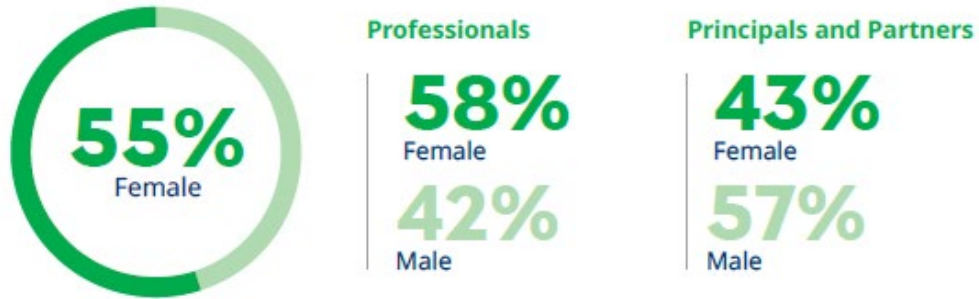
inclusion & diversity

Building an inclusive culture and diverse workforce is a business imperative. **It starts with us.**

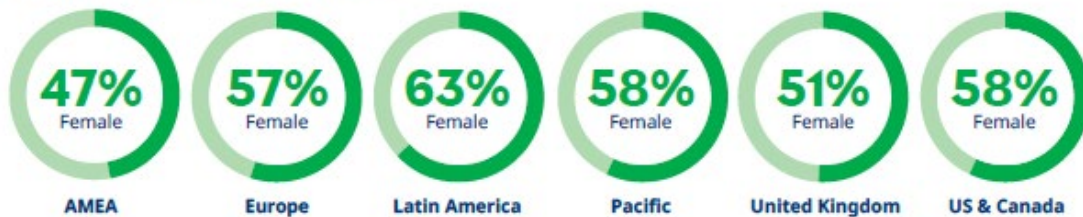
By respecting, valuing, and leveraging all aspects of diversity, we drive richer discussions, more innovative ideas, and bigger impact. When we bring our full capabilities to our clients they win — and so does everyone at Mercer.

We aspire to have a workforce that reflects the markets and communities where we work. We help develop leaders, managers and colleagues to be visible allies and sponsors for diverse colleagues to ultimately create a workplace where everyone can thrive. Below is more specific information about the composition of our workforce.

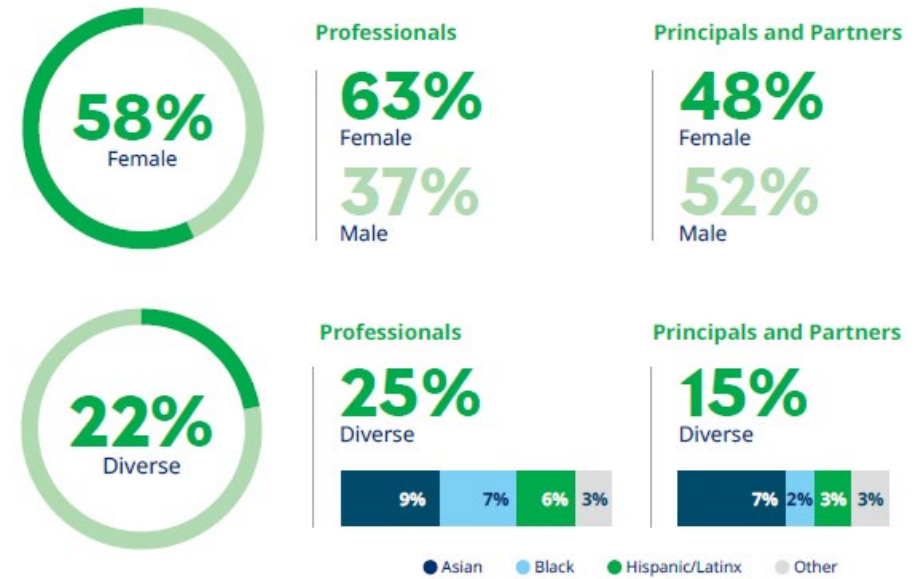
Mercer Globally – 2020 Workforce Composition



Regional Gender Representation



Mercer US – 2020 Workforce Composition



our commitment

Action plan & measurable goals for leaders

Our Diversity Charter establishes organizational goals for listening, learning and being an ally. Our senior leaders have measurable goals to progress our culture and the diversity of our workforce. In "Changing What's Possible", our [ESG report](#) provides more insight on how we're leading the way. To understand more ways to build inclusive culture, we are asking colleagues to share other communities where their experience aligns including LGBTQ+, Veterans and colleagues working with disability. We commit to a workplace where every colleague can feel comfortable bringing their whole self to work, feels they belong, and is able to contribute their best work — a place where everyone thrives.



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Notes:
 1. All data is as of December 31, 2020. Data extracted from Marsh McLennan's Human Capital Management system.
 2. Diverse colleagues = people who self-identify as Asian, Black, Hispanic/Latinx, or Other. Ethnicities which may include Native American/Alaska Native, and people who identify with two or more races or ethnicities.
 3. Colleagues with unknown ethnicity are excluded from % representation figures.

Transition Manager Searches Sentinel Value Proposition



THE ISSUE

- **Limited time or resources to monitor:**
 - **Risks** associated with a securities lending program, such as borrower, collateralization and interest rates
 - **Regulatory implications** of the lending arrangements



HOW THIS ADDS VALUE

- Enables **valid comparisons** of broker/dealer trading strategies
- Identifies **cost-efficient, least-risky** provider
- **Reduces risk** by avoiding unsound strategies



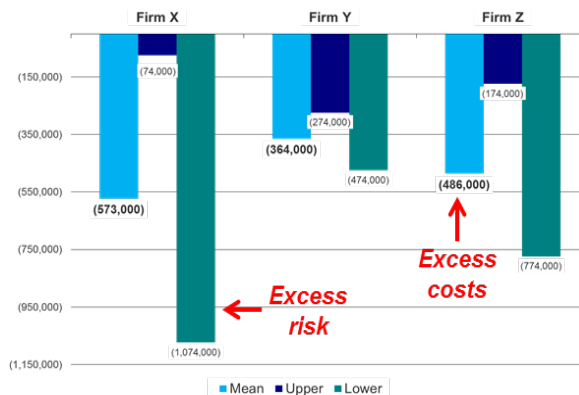
WHY CONSIDER MERCER?

- Mercer's proprietary competitive tender process:
 - **Provides transparency** on risks and costs
 - **Proven track record** based on hundreds of projects
 - Enables clients to **save money and reduce risk**



WHO IT'S FOR

- Institutional investors with separate account assets who are changing their investment structure.



CASE STUDY

In our competitive tender process, we see significant dispersion of projected costs among highly qualified providers (e.g. almost 20 basis points of dispersion.) An informed selection can mean hundreds of thousands of dollars in potential savings or avoided risk. (In this case, by selecting Firm Y.)

DEVON MUIR, CFA

PRINCIPAL



Devon Muir,
Principal

18+

years of industry
experience

Devon Muir is a Principal in Mercer's Wealth business based in Minneapolis. He advises DC and DB clients on investment policy, asset allocation, manager selection, and performance monitoring. His client base includes both ERISA 3(21) and ERISA 3(38) relationships. Devon has 18 years of investment consulting experience (13+ with Mercer) and works with large retirement plan clients throughout the US. He worked with the City of Los Angeles DCP since 2010. He joined Mercer in 2008, working in Los Angeles prior to transferring to Minneapolis in 2016.

Prior to joining Mercer, Devon worked as a Senior Managing Consultant at Alan Biller and Associates where he provided investment consulting advice to the firm's clients and was a member of the investment manager due diligence committee. Before this, he was a Vice President, Investment Officer at Insight Capital Research & Management where he performed equity research and communicated with the firm's clients in the field. Previous to this, he worked at Jeffrey Slocum & Associates, a boutique investment consulting firm in Minneapolis, consulting with the firm's corporate and endowment/foundation clients.

Devon has an MBA from the Carlson School of Management at the University of Minnesota and a BA from the University of California, Santa Barbara. He also holds the Chartered Financial Analyst designation.

ANA TOM-CHOW

SENIOR INVESTMENT ASSOCIATE



Ana Tom-Chow,
Senior Associate

25+

years of industry
experience

Ana Tom-Chow is a senior associate and consultant in the Mercer's Los Angeles office. Ana joined Mercer in December 1992. During her tenure with Mercer, she has focused on providing various investment consulting services to clients in the areas of performance measurement & evaluation, investment manager structure, investment strategy & selection, investment policy development, asset allocation & portfolio structuring analyses.

Ana is responsible for client service and consulting services on various defined benefit, defined contribution and cash management plans for corporations, public entities, health care organizations, and higher education foundations and endowments based on the West coast.

Ana holds a Bachelor of Science in Computer Science from California State University, Los Angeles. Ana is fluent in Cantonese and Spanish.

PETER EIBSEN

INVESTMENT ASSOCIATE



Peter Eibsen,
Associate

5+

years of industry
experience

Peter Eibsen is an Investment Associate with Mercer's Wealth group in Denver with over 5 years of investment experience. He provides support to institutional investors in the private, public and foundation marketplaces. Peter primarily provides analysis on reports, manager selection searches, asset liability modelling, custom fund creation and investment policy design.

Prior to joining Mercer in July 2018, Peter was an Associate with the Investment Consulting group for Buck Consultants. While at Buck Consultants, Peter supported institutional investors in the private, public and foundation marketplaces with investment reporting, asset allocation modeling and manager selection processes. Previously, Peter began his post-grad career as a Credit Analyst at Wells Fargo.

Peter holds a BS in Finance with a minor in Business Ethics & Legal Studies from the University of Denver, which he attended on the Dean Scholarship. He is pursuing his Chartered Financial Analyst (CFA) designation, having passed Level 1 and currently enrolled to take Level 2.

JULIETTA BELL, CFA, CFP

SENIOR INVESTMENT ASSOCIATE



Julietta Bell,
Senior Associate

20+

years of industry
experience

Julietta Bell is an Senior Investment Associate with Mercer's Wealth business based in Seattle, providing support to institutional investors in the private, public and foundation marketplaces, advising on asset allocation, investment policy, performance monitoring and manager selection.

Julietta has over 20 years of investment experience. Prior to joining Mercer in February 2020, she was a Senior Financial Analyst with a large multi-employer pension plan, Western Conference of Teamsters, where Julietta was an integral part of the Overall Pension group, working closely with the plan's investment consultant. Prior to this role, Julietta was a portfolio manager at Parametric Associates and before that, a Portfolio Manager, VP, at US Trust & Co. in New York, NY, providing investment services to the institutional and high-net-worth clients of the Structured Investments group. Julietta started her career at Madison Portfolio Consultants and Warburg Pincus & Associates.

Julietta holds an MBA in Finance from Baruch College, CUNY, and MA in Linguistics from Kiev University in Kiev, Ukraine. She is a Charter Financial Analyst and a Certified Financial Planner.

GREG CRAN

PRINCIPAL



Greg Cran,
Principal

20+

years of industry
experience

Greg Cran is a Principal in the Mercer Sentinel Group within Mercer's Wealth Investments business. Greg is responsible for investment manager restructuring and transaction-related projects including transition manager searches, transition project management, transaction cost analyses, independent fiduciary evaluations, and securities lending consulting.

Greg has 20+ years of financial services experience with a focus on capital markets, trading and risk management. Prior to joining Mercer in 2010, Greg was a quantitative trader and risk manager for a model-driven equity options trading firm. Previous roles include stints as director of trade execution and risk management at an equity options brokerage, portfolio manager at a leading equity options trading firm, and a designated primary market maker at the Chicago Board Options Exchange (CBOE) and London International Financial Futures and Options Exchange (LIFFE).

Greg is based in the Chicago office and holds a MBA from the University Of Chicago Booth School Of Business and a Bachelor of Arts degree from Wake Forest University.

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Portfolio expectations are forward looking and reflective of Mercer's Capital Market Assumptions, as defined by asset class and incorporating return, standard deviation, and correlations. Our process for setting asset class expected returns begins with developing an estimate of the long term normal level of economic growth and inflation. From these two key assumptions, we develop an estimate for corporate earnings growth and the natural level of interest rates. From these values, we can then determine the expected long term return of the core asset classes, equity and government bonds. We combine current valuations with our expectations for long term normal valuations and incorporate a reversion to normal valuations over a period of up to five years. Volatility and correlation assumptions are based more directly on historical experience except in cases in which the market environment has clearly changed. Manager impact on performance is not incorporated into expectations. The views expressed are provided for discussion purposes and do not provide any assurance or guarantee of future returns.

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Important notices (continued)

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Measurement of value added through manager research recommendations March 31, 2021.

Mercer's Investment business has developed and implemented a methodology for measuring the value added through their manager research recommendations. These methodologies, and the results of the analysis for periods to March 31, 2021, are presented below.

Measurement methodology

For most investment strategies that we research, we arrive at a rating on a four tier scale in which the possible ratings are A, B+, B and C. When we formulate short lists of candidates for clients to consider in manager searches, these are generally drawn from the list of strategies rated A within the relevant product category. We first began maintaining formal ratings on this basis in 1995, replacing less formal methods in place, and have extended this to cover all product categories that we actively research, over the period since.

Our methodology for measuring the performance of our ratings entails calculating the average performance of the strategies that we rated A within each product category each quarter, based on the ratings as they stood at the end of the previous quarter. Therefore there is no element of hindsight in the analysis. We then compound these quarterly results together to calculate performance over longer periods. Finally, we subtract the return for an appropriate and widely accepted benchmark index for the product category concerned to calculate value added. We also calculate a risk-adjusted measure of the value added known as the information ratio.

In essence, this methodology tracks the performance of a hypothetical Mercer client that is assumed to split its money evenly between all of the strategies rated A by Mercer within the product category concerned. This hypothetical client is assumed to have reviewed its manager line-up at the end of each quarter, based on the Mercer ratings as they stood at that point in time. A typical client would not invest in all strategies in all of the categories, as some may not be relevant to a particular client for a variety of reasons. Therefore the actual added value of strategies selected by a client would vary from the results depicted here. The average value added for each product category is detailed in this report.

Three types of strategy are excluded from the analysis. Firstly, we exclude strategies that are sub-advised by other investment managers, to avoid double-counting. Secondly, where a manager offers two variants of what is essentially just one strategy, we only include one of these in the analysis (we used to use the one with the longer track record but in 2011 we assigned the decision on which track record to use to the researcher responsible for the strategy), once again to avoid double counting. Thirdly, if a strategy's track record relates to a benchmark that is materially different to the benchmark used in the analysis for the product category concerned, it will be excluded from the analysis to avoid distortions that could arise solely as a result of the non-standard benchmark.

Important notices (continued)

Where a manager offers equity strategies in a typical long only format and a variant which includes the ability to short we only include the long-only version.

For some product categories, where the use of custom benchmarks is prevalent, there is no single widely accepted benchmark that can be used as a basis for this analysis. We therefore use a slightly different methodology for these categories. In these cases we carry out the analysis by first calculating value added each quarter for each track record relative to its custom benchmark, then calculating the average of these value added figures each quarter, and then compounding the quarterly value added figures to calculate value added over longer periods.

We have carried out these calculations for most of the product categories where we both maintain ratings and for which we have reliable performance data (currently 70 categories), going back in each case to when we first had a reasonable spread of ratings for the product category concerned.

Some important caveats

All of the value added figures have been calculated by Mercer, but are based upon performance data provided to Mercer by the investment managers concerned. Mercer generally does not independently verify the performance information provided by investment managers.

The methodology described above does not allow for transaction costs that an investor would have incurred if it had actually changed its panel of investment managers every quarter in line with changes to the list of products rated A by Mercer within the product category concerned. In practice, the turnover of managers incurred by such an investor would have averaged about 15% per annum (the actual averages since inception for each product category are shown in the final section of the results). We have not attempted to estimate the transaction costs that would have been incurred as this would require assumptions on a number of factors, including the investor's cash flow position and how the changes had been implemented.

All investment performance data used was reported gross of investment management fees and certain other expenses, such as custody and administration. All the value added figures are also quoted before deduction of such fees. The figures are however net of all transaction costs that the managers concerned have incurred within their investment portfolios. Performance shown assumes the reinvestment of dividends and capital gains distributions. A client's return would be reduced by the advisory fees and any other expenses it may incur in the management of its account. For example, if \$100,000 were invested and experienced a 5% annual return compounded monthly for 10 years, its ending value, without giving effect to the deduction of advisory or investment management fees, would be \$164,701 with annualized compounded return of 5.12%. If an advisory or investment management fee of 0.50% of the average market value of the account were deducted monthly for the 10-year period, the annualized compounded return would be 4.59% and the ending dollar value would be \$156,699. Actual fees may vary depending on, among other things, the applicable fee schedule, portfolio size and/or investment management agreement. Further information regarding investment advisory fees are described in our Form ADV, Part 2A.

As described above, the results of the analysis are based on performance data provided to Mercer by the investment managers concerned and other sources. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of information presented, and no responsibility or liability, including for consequential or incidental damages, can be accepted for any error, omission or inaccuracy in this information.

We have endeavored to obtain performance data for all investment products that have ever been rated A by Mercer for inclusion in the analysis, but in some cases this has not been possible. Where data could not be obtained, we have no option but to exclude the product from the analysis. We will continue to endeavor to obtain missing data for future updates of the analysis. This may result in some changes to the historic figures in future updates of the results.

As always, past performance cannot be relied on as a guide to future performance. Whilst Mercer commits considerable resources to manager research, in an effort to maximize the value added through our manager research recommendations, we do not provide any guarantees as to the future performance of the investment strategies that we recommend to our clients.

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