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## News Release

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## New Report from Oliver Wyman and Mercer Finds Excessive Focus on 'Pension Earnings' Keeps Corporations from Cutting Pension Risk

**New York, NY, August 2, 2010**

Oliver Wyman and Mercer issued a new report today on defined benefit (DB) pensions, highlighting the inhibitive impact of short-term U.S. corporate pension 'earnings' on effective longer term risk management. The joint report describes how current U.S. pension accounting standards cloud true economics by including a "funny money" component in pension earnings, presenting a fundamental obstacle to CFOs in pursuing rational risk management. The report estimates that this earnings component amounts to approximately \$18 BN, or 4% of reported earnings at S&P 500 companies.

The authors also argue that reported pension earnings are becoming increasingly irrelevant, as the underlying economics become more transparent. Proposed amendments to international accounting standards would remove the offending component of pension earnings by 2013, and the Securities and Exchange Commission has indicated that convergence in U.S. and International GAAP standards may occur sometime around 2015. Mick Moloney, Senior Partner and Head of Mercer's Financial Strategy Group stated, "We see a growing number of U.S. corporates announcing an intention to reduce the impact of defined benefit pension volatility on their balance sheets. We believe evolving accounting standards will hasten the need for others to adopt similar approaches to better manage market perception of their plans, similar to a trend we have seen in Europe."

The new report also details that while there are many and complex factors to consider in devising a pension risk reduction strategy, options available to corporates have also expanded – ranging from dynamic asset allocation to insurer buy-out. "Due in part to current favorable conditions in the life insurance market and the strategic options available to them, we believe that companies willing to quickly undertake a thorough diagnostic followed by the enactment of a plan for pension risk reduction may be able to create substantial shareholder value in the long-term," said Ramy Tadros, Partner and Head of Oliver Wyman's North America Insurance Practice.



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To obtain a copy of the joint Oliver Wyman and Mercer report, "Funny Money: The increasing irrelevance of pension earnings", please go to: [www.oliverwyman.com/ow/funny-money-pension-earnings.htm](http://www.oliverwyman.com/ow/funny-money-pension-earnings.htm) or [www.mercer.com/funny-money-pension-earnings](http://www.mercer.com/funny-money-pension-earnings) .

#### About Mercer

Mercer is a leading global provider of consulting, outsourcing and investment services. Mercer works with clients to solve their most complex benefit and human capital issues, designing and helping manage health, retirement and other benefits. It is a leader in benefit outsourcing. Mercer's investment services include investment consulting and multi-manager investment management. Mercer's 18,000 employees are based in more than 40 countries. The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., which lists its stock (ticker symbol: MMC) on the New York, Chicago and London stock exchanges. For more information, visit [www.mercer.com](http://www.mercer.com).

#### About Oliver Wyman

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit [www.oliverwyman.com](http://www.oliverwyman.com) .

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