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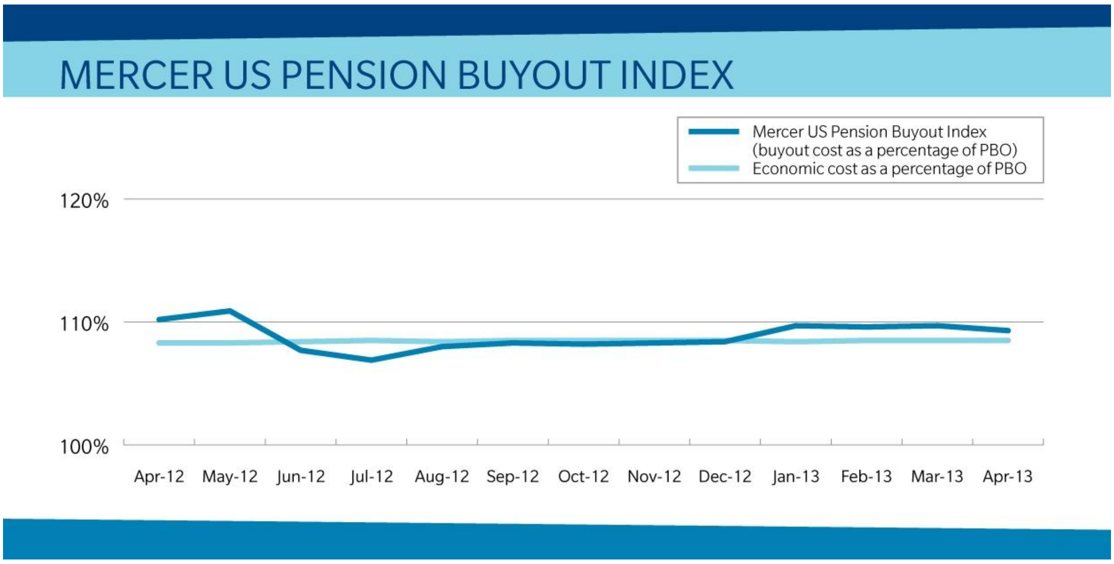
Mercer US Pension Buyout Index

The Mercer US Pension Buyout Index ("the Index") allows plan sponsors to see at a glance the relative cost of a buyout by an insurer of retiree liabilities of a defined benefit plan, and how that cost changes over time. In addition, the index shows the approximate long-term economic cost of retaining the retiree liabilities on a sponsor's Balance Sheet, which includes an allowance for the future expenses and risk margin needed to maintain the obligations. Based on this evaluation, sponsors can compare the approximate current cost of risk transfer through annuitization with the total cost of retaining obligations on the balance sheet.

Published monthly, the Index tracks the relationship between the accounting liability for a hypothetical traditional defined benefit plan and two cost measures: the approximate total economic cost of retaining the obligations on the balance sheet and the estimated cost of transferring those liabilities to an insurance company.

Annuity pricing data from a number of leading US life insurance companies are used to compile the Index. These insurers include American General, Massachusetts Mutual Life Insurance Company (MassMutual), MetLife, Principal, Pacific Life, Prudential and United of Omaha (Mercer is not associated with any of the aforementioned insurers). On a given month the Index may be compiled from pricing data from some or all of these insurers.

Commentary on the Mercer US Pension Buyout Index results for April 2013



- Figure 1 indicates that the cost of purchasing annuities for retirees reduced slightly over April 2013, from 110% to 109% of the accounting liability.

- Comparing the cost of annuitization to the economic cost of retaining the liabilities indicates that the margin for buyout over the cost of retaining the plan continues to be relatively small at just under 1% as of April 2013, indicating that buyout premiums are currently attractive for sponsors when compared with all-in retention costs. Reviewing total retention costs in a more comprehensive way shows that annuitization may be a cost effective option for many sponsors, either today or when their plans become better funded.

- In addition, strong equity returns in recent months have led to an increase in funded status for many plans over the first four months of 2013. The aggregate funded status of pension plans sponsored by S&P 1500 companies increased to an estimated 80% as of April 30, 2013, up from 74% at the end of 2012. For sponsors that wish to incorporate buyout options to their strategic planning, this stronger funding and transparent view of buyout costs heightens the need to be prepared. We believe many sponsors should evaluate the financial implications of buyout more closely as one of many steps to be taken to ensure that opportunities are captured if they are presented by the markets and increased plan funding levels.

The above analysis has been performed for a sample retiree population only. The total economic cost of the sample plan includes allowances for on-going pension plan management costs, for example administration expenses, PBGC premiums and asset related costs. These costs will vary depending on the specifics of each plan.

For the current value of the Mercer US Pension Buyout Index and full information about the Index, including Methodology for preparation and Important Notices, please visit our website at www.mercer.com/US-pension-buyout-index