



An HR Strategy for the Future Leads to the First Pension Risk Exchange

As part of a new strategy for the future, the leading benefits consulting firm tackled the maturation of the defined benefit retirement plan market by creating the world’s first pension risk exchange.

REPOSITIONING FOR THE NEW WORLD OF RETIREMENT

Only 13% of private sector U.S. workers now have defined benefit pensions, down from 38% a generation ago—while at the same time life expectancy for a retiree has increased from 81 to 85. As the prevalence of defined benefit plans has declined, there has been a corresponding increase in retirement plans which put

more accountability on the individual. As the world’s leading benefits consulting firm, New York City-based Mercer not only needed a solution to the problem at hand but an overall strategy to reposition this Marsh & McLennan subsidiary for the new world of human resources. “Our greatest growth challenge is to respond to the fact that people must now prepare for retirement on their own,” says Jacques Goulet, president of Mercer Retirement, Health & Benefits.



OBSERVING SOCIAL AND EMOTIONAL ‘JOBS TO BE DONE’

Meanwhile, many of Mercer’s corporate clients were faced with the challenge of how to manage

the promises it had made to its employees—while seeing in the news how GM and Verizon recently transferred their pension risks to third-party insurance companies. To explore what was possible, the Mercer team collaborated with Innosight to develop a ‘future back’ vision of what the market and the company would look like in ten years. By closely observing the changing priorities of both employers and employees, the team created four “strategic opportunity areas” for new growth. This was done by asking questions such as: how do we solve the full set of financial, emotional, and social needs of employees?

“The key insights came out of our sessions with Innosight. When we started to look at jobs to be done, we realized we can play on a broader level, and that our potential set of customers was more extensive than we had thought.”

– Jacques Goulet, President of Mercer Retirement

In turn, what were clients really hiring Mercer to do? HR professionals inside companies wanted to be seen as careful, thoughtful, and competent. Whatever choices they eventually picked, they didn’t want to end up fielding an endless stream of complaints and questions. But the decision to transfer pension liabilities to a third party could cause months of anxiety, uncertainty, and second guessing from the CEO, the board, and employees. A smarter and more streamlined approach was needed. Says Goulet: “When we focused on the core needs of our customers, we realized there was a better way.”

LAUNCHING A ‘STOCK EXCHANGE’ FOR PENSION PLANS

From this insight, the Mercer Pension Risk Exchange® was born and launched successfully in the U.S., the U.K., and Canada starting in 2015. Akin to a stock exchange where buyers and sellers come to meet, shop, and trade in real time, the digital service eliminates the anxiety of long lag times and unpredictability while also providing pricing transparency, enhanced governance and more competition. That’s because insurance companies could now engage in competitive bidding online and receive better data and insights than ever before.

This first-of-its-kind online platform has positioned Mercer at the center of a dynamic market for the transfer of pension liabilities that are valued at \$1.5 trillion in Canada, \$1.9 trillion in the U.K., and nearly \$3.2 trillion in the U.S. And that is just the beginning. As the first of four new ventures launched by Mercer as a result of its future back 2020 strategy, Mercer has now institutionalized new innovation capabilities across its 20,000-employee enterprise.