

Mercer (Ireland) Limited Client Asset Key Information Document ('CAKID')

September 2023

The Mercer (Ireland) Limited (“Mercer”) Client Assets Key Information Document (“CAKID”) has been drawn up pursuant to the Central Bank (Supervision and Enforcement) Act 2013 (Section 48 (1)) (Investment Firms) Regulations 2023 (the “Regulations”).

1. Overview

Please note that the provisions of this CAKID apply only to client monies held in relation to activities that are regulated by the Central Bank of Ireland. These activities are the administration of:

- a. Defined Contribution pension schemes;
- b. Defined Benefit pension schemes;
- c. AVC Pension schemes; **and**
- d. Employee Share Participation schemes.

The CAKID and the provisions contained therein do not apply to pension payroll services as these services are not regulated under the Client Assets Regulations. The arrangements in relation to these services are outlined in **Appendix 4**.

2. An explanation of the Regulations

Mercer (Ireland) Limited (“Mercer”) is authorised by the Central Bank of Ireland as an investment firm under the Markets in Financial Instruments Directive ‘MiFID’. As a MiFID investment firm Mercer is required to comply with the Regulations. Furthermore, the Central Bank has issued a Guidance document to assist investment firms in complying with the Regulations. In relation to client assets, Mercer is therefore required to adhere to the obligations imposed by both the Regulations and the guidance. Here is a link to both the Regulations and the Guidance:

- [Client Asset Regulations](#)
- [Client Asset Guidance](#)

Mercer (Ireland) Limited, trading as Mercer, is regulated by the Central Bank of Ireland.

Registered Office: Charlotte House, Charlemont Street, Dublin 2. Registered in Ireland No. 28158.

Directors: Sheila Duignan, John Mercer, Mary O'Malley, Patrick Healy and Cara Ryan.

A business of Marsh McLennan

In general, the purpose of the client asset regime is to safeguard client assets by ensuring firms adhere to general principles and prescriptive requirements. The objectives of the client asset regime are: (1) maintaining public confidence in the financial system; (2) minimising the risk of loss or misuse of client assets by authorised entities by having stronger systems and controls in place to protect the ownership rights of clients.; and (3) in the event of the insolvency of an entity, enabling the efficient and cost-effective return of those assets to clients.

In order to achieve the above, Mercer is responsible for ensuring that its policies and procedures are sufficiently robust and complete, taking into consideration the risks posed to client assets by its business. However, it is important to note that it is never possible to fully eliminate all risks relating to client assets, e.g. fraud, negligence.

The Regulations are set out under the following seven headings which the Central Bank regards as the seven core Client Asset Principles of a client asset regime:

2.1. Segregation

Mercer is required to physically hold client assets separate from its' own assets and maintain accounting segregation between its' own assets and client assets.

The Regulations provide that money received by Mercer for investment in an activity that is not a regulated financial service should not be deposited in a client asset account. Mercer has arrangements in place for client assets held in relation to its non-regulated business. These arrangements are outlined in Appendix 4.

2.2. Designation and Registration

Mercer ensures that client assets are clearly identified in its internal records and in the records of third parties. Client assets are clearly identifiable from Mercer's own assets.

In this regard, Mercer obtains a 'Fund Facilities Letter' in advance of opening a client asset account with any third party in respect of client funds. This letter governs the relationship between Mercer and the third party.

2.3. Reconciliation

Mercer maintains accurate books and records to enable it at any time and without delay to provide an accurate record of the client assets held by it for each client and the total held in the client asset account. In addition, Mercer performs a daily reconciliation between its internal records and those external records of any third party with whom client assets are held.

Mercer commences an investigation into the cause of any difference in the reconciliation within one working day, identifies the cause of the reconciliation difference within five working days and resolves any reconciliation difference identified as soon as practicable.

2.4. Daily Calculation

Each working day, Mercer is required to ensure that the aggregate balance on its client asset bank account as at the close of business on the previous working day is equal to the amount it should be holding on behalf of its clients. The Regulations therefore eliminate the requirement for Mercer to retain a buffer; i.e. a Mercer's Client Money Resource should only contain what it is required to hold for its clients on a given day.

2.5. Client Disclosure and Client Consent

Mercer has prepared this CAKID in order to inform clients on how and where its client assets are held and the resulting risks thereof. This CAKID also provides details of the circumstances in which the Regulations will apply and will not apply.

2.6. Risk Management

Mercer applies systems and controls that identify risks in relation to client assets and has implemented mitigating controls to manage these risks.

Margaret McManamon has been appointed to the role of Head of Client Asset Oversight ("HCAO"). The HCAO is responsible for ensuring that Mercer complies with its obligations under the Regulations.

In addition, Mercer has adopted a Client Asset Management Plan ("CAMP"). The CAMP is drafted in accordance with the Regulations and documents Mercer's business model and related risks in respect of the safeguarding of client assets and the controls in place to mitigate these. The CAMP will be reviewed and updated at least annually or more frequently if there is a change to Mercer's business which affects the way in which client assets are held.

2.7. Client Asset Examination

Mercer engages Deloitte to report at least on an annual basis on Mercer's safeguarding of client assets. Deloitte provides an assurance report with regard to certain matters which are specified in the Regulations.

2.8. Availability of the CAKID

The CAKID is available online at: <https://www.mercer.ie/about-mercero/regulated-in-ireland.html>.

3. An explanation of what constitutes client assets under the Regulations.

For the purposes of your engagement with Mercer, Client Assets are assets held that are directly related to the provision of a regulated service. The only such services currently provided by Mercer are the receipt and transmission of orders and processing of monies in relation to the administration of;

- Defined Contribution pension schemes;
- Defined Benefit pension schemes;
- AVC Pension schemes; **and**
- Employee Share Participation schemes.

The only assets held by Mercer in connection with these services are cash in client money bank accounts. Mercer does not hold any investment/financial instruments on behalf of clients.

4. The circumstances in which the Regulations apply and do not apply.

The CAKID and the provisions contained therein do not apply to any service provided by Mercer other than those outlined in the previous paragraph. For the avoidance of doubt, the pension payroll services offered by Mercer are not subject to the Regulations. Mercer will operate the bank account for these activities in a similar manner to the regulated client asset regime. However, it is important to note that such assets;

- a. Are held separately from regulated client assets;
- b. Are held subject to a declaration of trust in favour of our clients;
- c. Are acknowledged by the bank holding them as being client assets held on trust by us; **and**
- d. Will not be protected as regulated client assets.

5. An explanation of the circumstances in which an investment firm will hold client assets itself, hold client assets with a third party and hold client assets in another jurisdiction.

Mercer acts as consultants and actuaries to trustee clients and employers. We provide a range of services which include the provision of pension and share scheme administration services, advice on the appropriateness of investments against liabilities, general investment strategy, selection of investment managers and products, periodic performance evaluation, effecting and administering certain types of insurance contracts and advice relating to the provision of employee benefits in Ireland and overseas.

In this regard, Mercer carries out the following regulated activities:

- The provision of investment advice;
- Receipt and transmission of orders on behalf of investors, or orders in relation to one or more investment instruments; **and**
- Insurance mediation.

Mercer holds client assets in respect of the above regulated activities for its pension administration business and employee share scheme business.

The regulated client assets which Mercer holds are limited to client funds which is defined as any money, to which our client is beneficially entitled, received from or on behalf of a client or held by us on behalf of a client and includes (without limitation):

- Client funds held by or with a nominee.
- In the case of money that is comprised partly of client funds and partly of funds of any other type, that part of the money that is client funds.

Client assets do not include money which relates exclusively to an activity which is not a regulated financial service.

Mercer does not hold client financial instruments as client assets.

Mercer does not currently outsource any of its responsibilities under the Regulations. Should the position change in this regard then Mercer's Client Asset Management Plan will be updated accordingly.

Mercer only uses banks to hold client assets. A list of Third Party banks used is maintained by Mercer's Treasury team. Persons authorised on the client asset bank accounts are detailed on the appropriate Bank Mandate submitted to each bank.

6. The arrangements applying to the holding of client assets and the relevant risks associated with these arrangements

By agreeing to the Mercer (Ireland) Limited Terms of Business you consent to Mercer operating its Client Asset accounts as described in this Section 6

Banking Arrangements

Client assets are held in conglomerate bank current accounts and deposit/market accounts with nominated banks. These bank accounts are client asset accounts for the purposes of the Regulations. The conglomerate bank current accounts are pooled current accounts with Barcalys Bank Ireland plc and pooled deposit accounts currently are held with Barcalys Bank Ireland Ltd, ING Bank NV London Branch, Sumitomo Mitusui Banking Corporation Europe and Bank of Montreal Europe plc. Your assets are pooled with the assets of other clients in our Client Asset accounts.

By agreeing to the Mercer (Ireland) Limited Terms of Business, you agree that your assets will be pooled with the assets of other clients.

Mercer maintains a cash book which identifies the balance of each individual pension and share scheme account and records all schemes' receipts and payments as well as providing a balance on any particular day. The Regulations require Mercer to reconcile client asset bank accounts each working day and prepare a daily calculation to ensure the total cash held in client assets bank accounts meets the requirements of the Regulations.

The risk arises here that if all client assets are held in one bank and that bank fails, then all client assets will be lost. In order to mitigate this risk Mercer, at its discretion, appoints a number of different banks to hold client assets. Therefore, the risk in the case of bank default is diluted. If a bank which holds client assets should default and therefore be unable to repay the client assets, then the loss of client assets will be pro-rated across all client asset balances based on the balance held by Mercer immediately prior to such default.

Nominated Bank Accounts

Mercer, at its discretion, appoints a number of different banks to hold client assets. The criteria for the selection of banks include the need to minimise the possible loss of client assets due to bank failure/credit risk and provide diversification. Client assets will be held in Euro with financial institutions authorised and regulated in Ireland or other EU states. Client assets held on behalf of pension schemes with UK members will be held in Sterling with financial institutions authorised and regulated in Ireland or other EU states. Client asset bank accounts held outside of Ireland will be subject to the law, including legal and regulatory regimes, of the relevant EU state. Skill, care and due diligence is exercised in selecting all credit institutions, and on-going periodic review is performed by Mercer on these institutions.

The risk arises here that if client assets are held in a bank that fails, then client assets held in that bank will be lost. Mercer mitigates this risk by appointing at its discretion a number of different banks to hold client assets which dilutes the risk in the case of bank default. If a bank which holds client assets should default and it is unable to repay monies held in the client asset account held with that bank, the loss of client assets will be pro-rated across all client assets balances based on the balance held by Mercer immediately prior to such default.

By agreeing to the Mercer (Ireland) Limited Terms of Business, you agree that your assets may be held outside Ireland.

Arrangement in case of Bank Default/Error or Omission

To mitigate the risk that a bank which holds client assets should default and therefore be unable to repay the client assets then the loss of client assets will be pro-rated across all client assets balances based on the balance held by Mercer immediately prior to such default. Mercer will inform clients in writing as soon as we become aware of such a situation and outline what steps we will take to attempt to recover client assets and procedures to continue to operate the client asset accounts in an orderly manner. Mercer will inform the Central Bank of Ireland in the case of such a default. Mercer will not be liable for

any client loss incurred in the case of a bank default. Mercer will not be liable in the case of any error or omission by a bank.

Legal Title

The banks that hold client assets have confirmed to Mercer that these funds are held in designated trust accounts and as such the funds held are beneficially owned by the trustees. Mercer acts as nominee only in relation to these accounts and does not have any title to these funds and they are not included in its balance sheet. Neither can any examiner, liquidator nor receiver of Mercer have any claim to the funds in the conglomerate account. Mercer has received written confirmation from these banks that they have no right of set-off on these accounts against any funds that might be due by Mercer to them or any potential creditor of Mercer or any other Mercer group company.

These controls mitigate the risk of either Mercer or any liquidator or receiver attempting to utilise client assets to offset other obligations.

Receipts

Mercer will issue clients with a receipt for all funds received by way of cheque or other payable order, except where the funds are received in settlement of a specific contract note or invoice issued by Mercer to the client.

Statements

Mercer will issue clients with a statement in respect of client assets held on their behalf by Mercer on a quarterly basis, detailing the balance on the account as at the end of the reporting period, and interest credited to the account during that period.

Interest

No interest is paid to Defined Contribution / AVC Pension Schemes or Share Schemes. Interest earned on Client Asset accounts in relation to these services is retained by Mercer for its own benefit.

Interest is allocated to Defined Benefit Pension Schemes on a quarterly basis in arrears based on the end of day cash book balance of the pension scheme. The interest allocated is calculated at the ECB base rate less 1.5% to take account of the costs of maintaining the client funds accounts and associated risks involved. In cases where the ECB rate falls below 1.5%, Mercer reserves the right to retain any shortfall from future interest.

<p>By agreeing to the Mercer (Ireland) Limited Terms of Business you agree with how we treat interest earned on Client Asset accounts.</p>

Internal Controls

In order to mitigate operational risk, including the risk of fraud, and to ensure that client assets are safeguarded and properly managed, Mercer has developed a system of controls around the operation of the client asset accounts, the main features of which are as follows:

Overdrafts: Negative balances or overdrafts are prohibited on client asset accounts. Requests to pay out funds that exceed the balance of the client assets cash book balance will be rejected where they would create a negative balance or overdraft. Requests for payments will be processed on receipt against the current funds.

Payment may only be made against cleared funds and cheque receipts can take up to 5 working days to clear. In cases where client fund payments have been made by Mercer to a third party and the receipts that funded those payments are subsequently returned unpaid or otherwise declined, then Mercer reserves the right to recover such payment from the third party. The client will be liable for any loss incurred due to non-recovery of such funds.

Receipts: Client assets are lodged to the client assets bank accounts as soon as possible, but no later than one business day following receipt. The Mercer administrator of the pension or share scheme will identify the appropriate scheme that the client assets relate to and allocate the receipt to that scheme. If receipts are not allocated to the appropriate scheme within 5 working days, then these funds can be returned to the sender. Mercer does not accept cash receipts or post-dated cheques.

All direct credit transfers of client assets from clients to Mercer must be made to the Mercer conglomerate current account as advised by Mercer. Please quote scheme name in the transfer details. Clients must not send client assets to the Mercer corporate bank account currently with Citi Bank.

Clients must not send mixed remittances i.e., client asset funds and payment of Mercer fees together in the one payment.

Payments: Payment requests to Mercer Treasury are originated by the Mercer pension or share scheme administration department either in paper form or using our internal electronic system. Payment requests are initiated by an administrator, checked by a second administrator, and approved by a third administrator.

In certain instances, Mercer has a separate agreement with clients that allows it to withdraw client funds for the settlement of Mercer fees.

Data Protection

Mercer will not disclose details of client asset accounts and transactions to any third party unless legally obliged to do so or as outlined below.

Mercer may share data with other group companies of our parent company Marsh & McLennan Companies, Inc.

Mercer is obliged to provide details of clients' assets and transactions and supporting documentation to the auditors of pension schemes. In addition, Mercer is required under the Regulations to have client assets audited by Mercer's auditors (currently Deloitte) and therefore will provide the auditor with the

necessary details for them to do so. Also, Mercer's banks may request confirmation from Mercer that funds held in the client asset accounts are beneficially owned by pension schemes or share schemes. In this case Mercer will only provide the bank with the scheme name, date of entry to the client asset arrangements, Pension Board number and where applicable the tax reference number. Where appropriate, Mercer may report certain transactions to the Central Bank of Ireland.