



COVID-19:

Dealing with the impact

02 April 2020

Webinar

Speakers



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Head of Asset
Allocation,
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Alternatives
Portfolio Manager,
Mercer



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UK Governance
Leader, DC &
Individual Wealth,
Mercer



Guy Clarkson
UK Mid-Market
Growth Leader,
Mercer Marsh
Benefits

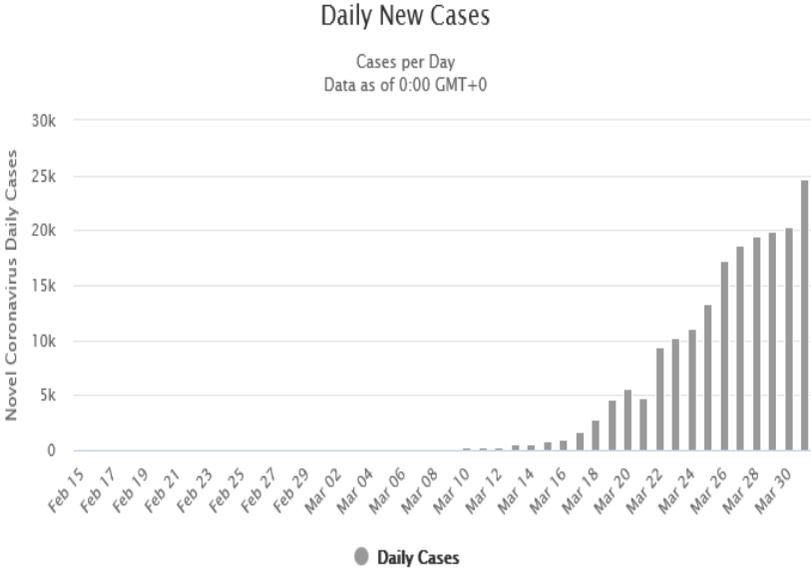
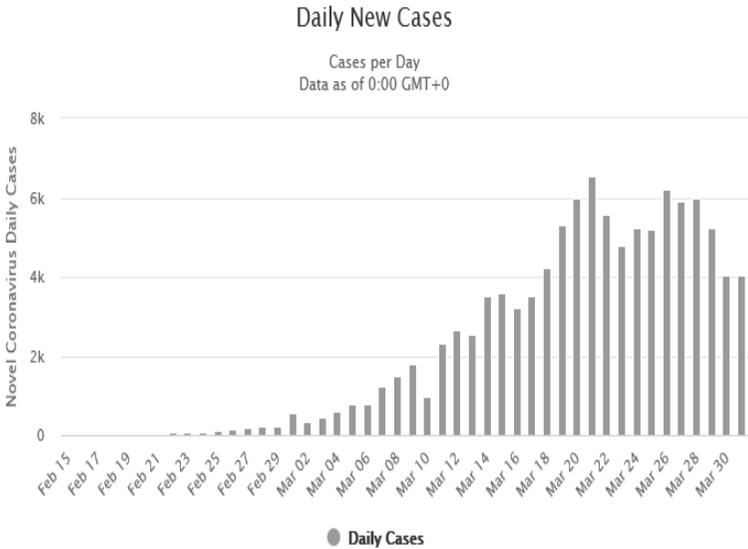


Mark McGowan
Senior Principal,
Career,
Mercer

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Italian cases may have peaked. US cases surge and may be under-reported



China recovers end March. Everywhere else collapses. Central banks step up support

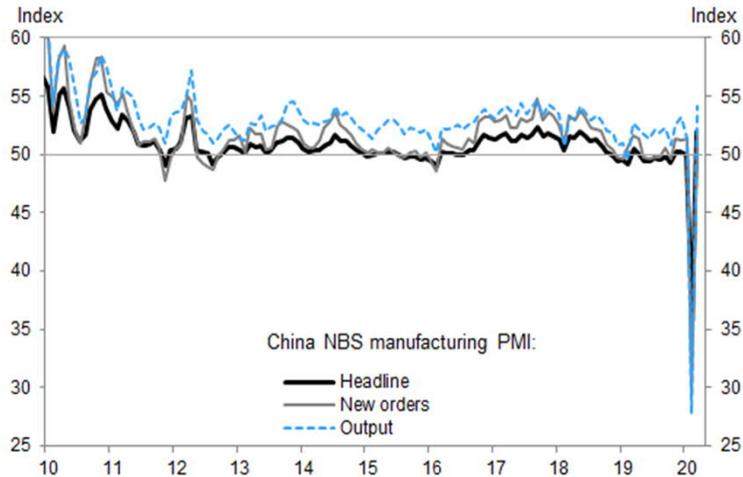
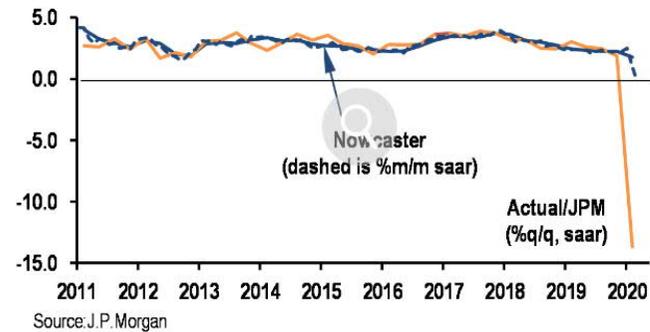


Figure 2: Global real GDP

%q/q, saar; J.P. Morgan projection and Nowcaster through 1Q20

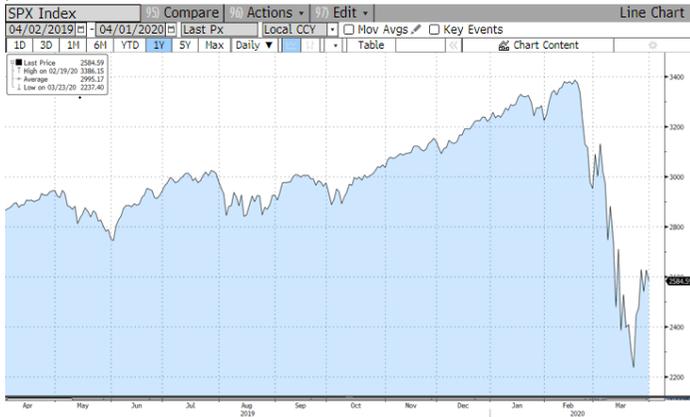


Wherever... credit is not flowing, we have the ability in these unique circumstances to temporarily step in and provide those loans and we will keep doing that, aggressively and forthrightly.
Fed Chair Powell (26.3)

In the current circumstances... monetary policy is aimed at guarding against an unwarranted tightening in financial conditions and, more broadly, supporting businesses and households through the crisis and limiting any lasting damage to the economy. Bank of England (26.3)

Equities make some losses. Bonds perform well as central banks step in and stabilise

US equities make back some losses



US government bonds at yield lows



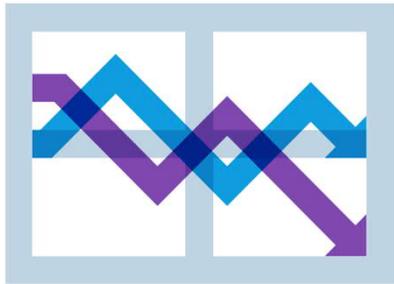
Chinese equities outperform



Credit spreads narrow



Hedge fund impacts



It's been a
challenging few
weeks and months
for global financial
markets...



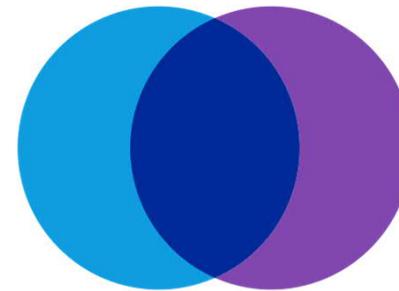
... but we believe
diversification
is holding up well

Investing in hedge funds

Theory vs. practise



Summary: liquid alternatives portfolios can provide an important cushion to equity market losses



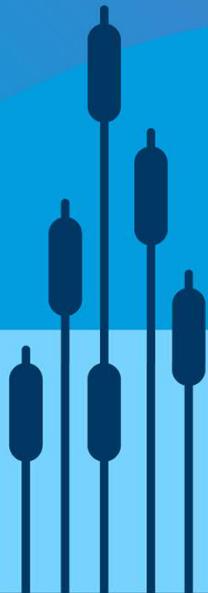
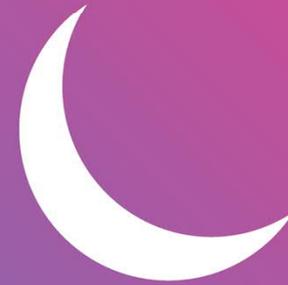
Supporting the importance of diversification and the need for robust portfolio construction

Challenges

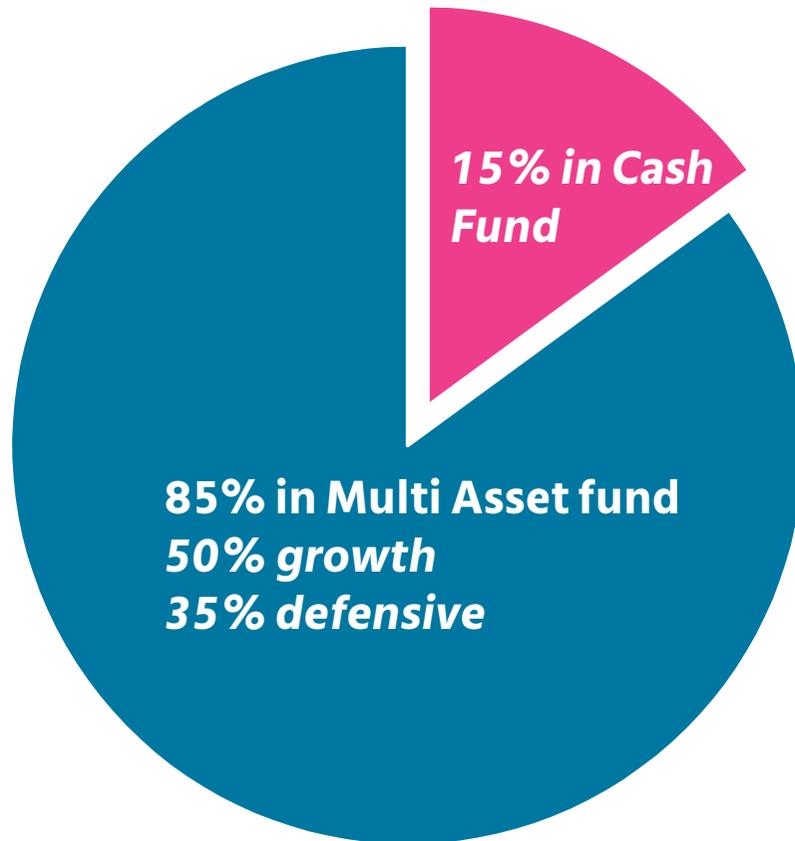
Setting expectations about, and understanding how your allocations should react in different market environments is important



**Dislocations could
create strong
opportunities**



A typical scenario for a member who is close to retirement



Member is retiring early at age 60

- Invests via the Plan's default lifestyle strategy which anticipates flexible drawdown during retirement, from age 65.
- No in-plan drawdown facility available.
- Member is cautious about withdrawing from the Multi-Asset fund as it has reduced by over 15% since 1st January 2020

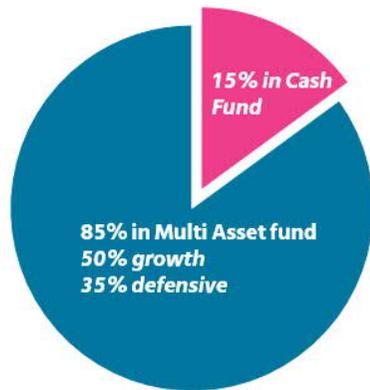
What DC plans might consider doing

Benefit withdrawal features

Allow members to

- Extend the period over which they can withdraw cash sums.
- Withdraw tax free cash and designate remaining funds for drawdown (legal advice may be appropriate if no drawdown facility is available under the Plan).
- Receive partial retirement or partial transfer value.
- Take a little more time in deciding what to do with remaining funds after tax free cash is withdrawn*

*Important that pension is put into payment within six months of tax free cash being taken.



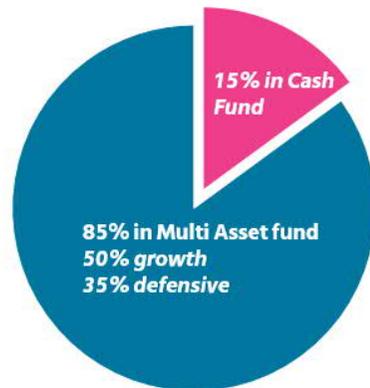
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Investment

- Enable the member to maintain the same risk profile as the Multi-Asset Fund, but via investing in discrete funds rather than a single blended fund.
- Member can then choose which individual funds to withdraw benefits from e.g. more defensive funds.

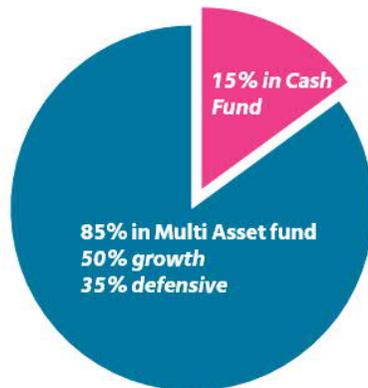
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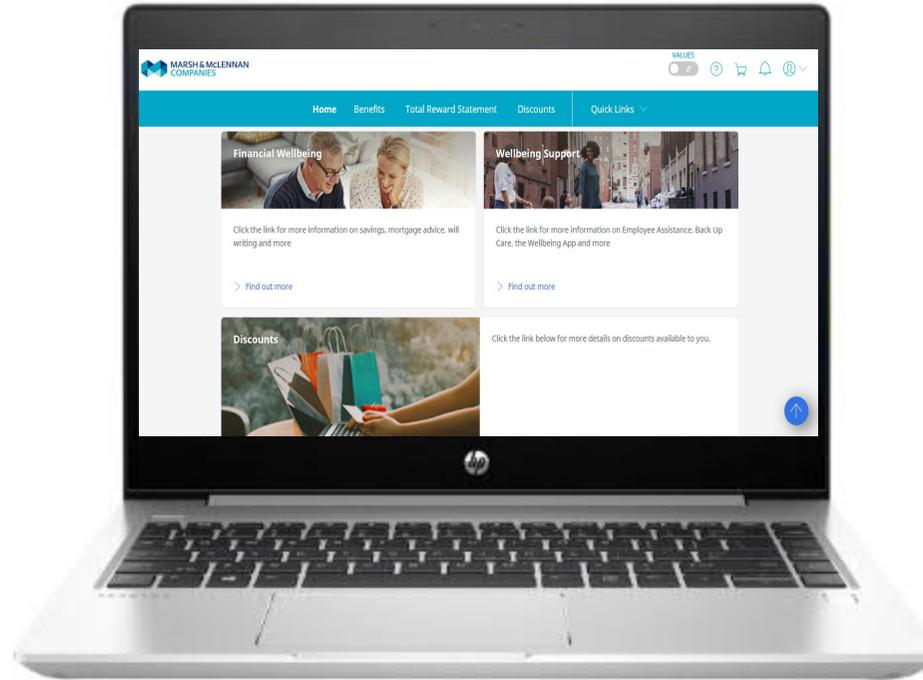
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Communication

- Point out the above options, even if they are accessible only via external arrangements.
- Provide 'at retirement' financial guidance.
- Point out items on which members might take financial advice e.g. borrowing to provide income while equity markets are depressed.

Leveraging Benefits Technology



Relevant Content & Education ...



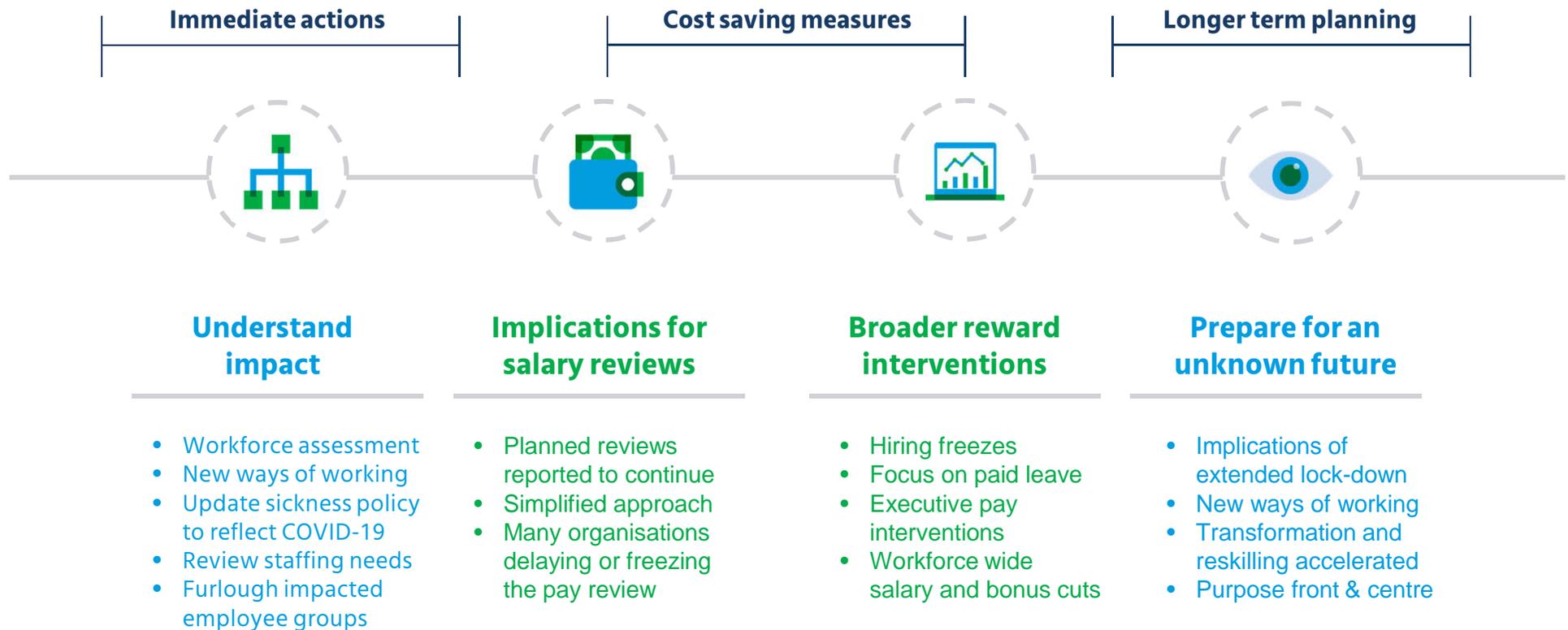
Maintain Integrity of Communications ...



BAU Monthly Processes ...

Reward implications

Emerging responses: UK Reward Leaders Survey



Q&A

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For further information and materials, please visit:

<https://www.mercer.com/our-thinking/managing-novel-coronavirus.html>

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