

DB Master Trust Self-Certificate

Mercer DB Master Trust

Completed by Mercer DB Master Trust
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<https://www.mercer.com/en-gb/solutions/pensions/defined-benefit-pension-schemes/mercer-db-master-trust-pension/>

Important note

The purpose of DB Master Trust Self-Certificates is to summarise factual information about a DB Master Trust. This Self-Certificate has been completed by the entity noted above. The information presented has not been audited, verified or otherwise checked by any third party. The Self-Certificate is not intended to provide comprehensive information about the DB Master Trust. Parties considering DB Master Trusts remain responsible for carrying out appropriate investigations, obtaining relevant information directly from relevant DB Master Trusts, and seeking appropriate professional advice in advance of making any decision. See "About this Self-Certificate" at the end of the document for further information.

Scheme	
Mercer DB MasterTrust	
HMRC and TPR registered	Yes
Provider	Mercer Limited
Structure	
Sectionalisation	Sectionalised master trust
Employer covenant	Preserved on transferring in
Benefit structure	Based on transferring scheme
Governance and Advisers	
Trustees	ITS Limited (Trading as IGG- Independent Governance Group) PAN Trustees UK LLP Zedra Governance Limited
Trustee appointment	Mercer Limited
Other governance processes	The Trustees of the Mercer DB Master Trust are appointed by Mercer in its role as the Plan Provider. The Trustees ensure that the Mercer DB Master Trust is governed in line with legal requirements, regulatory guidance and good practice. The Trustees also have the power to appoint professional advisors and third party service providers. The duty of the Plan Provider is to monitor the operation of the Mercer DB Master Trust by the Trustees.
Balance of powers	Each scheme is transferred into its own segregated section of the Mercer DB Master Trust. Our starting point is that the balance of powers of in each section mirrors that of the transferring scheme. We will make helpful suggestions for better clarity or to make the operation of the section more efficient.
Key advisers and adviser appointment	The Trustees of the Mercer DB Master Trust has made the following appointments: Actuary – Mercer Administrator – Mercer (planned change to Aptia from 1 January 2024) Secretary to the Trustees – Mercer Fiduciary Investment Manager – Mercer Investment Consultant – Mercer Covenant Adviser – Mercer Risk Transfer Advisor – Mercer Legal adviser – Stephenson Harwood Auditor – Harmer Slater

Operations and Costs

Investment

The investment strategy for each section is set by the Trustees of the Mercer DB Master Trust in consultation with the participating employer of that section.

The Mercer DB Master Trust uses Mercer's fiduciary management platform, giving the scheme access to over £300 billion of buying power, which drives down investment costs.

The core approach is to invest in a diversified growth portfolio and a liability matching portfolio. The proportion of the assets allocated to the growth portfolio depends on the investment return required by the funding strategy agreed between the employer and the Trustees. The matching portfolio is designed to hedge the interest rate and inflation risk.

The Trustees agree a journey plan in consultation with the employer. Over time excess investment returns are locked in and used to increase the level of hedging and thereby reduce the volatility of the funding position.

Scheme funding

The funding strategy for each section is set by agreement between the participating employer and the Trustees of the Mercer DB Master Trust. It is based on the employer's appetite for risk subject to the strength of its covenant.

Typically the funding strategy set for pensioner liabilities places a low reliance on the employer's covenant by adopting a reasonably low risk investment strategy.

For non-pensioner liabilities employers can choose to rely more heavily on their covenant by increasing the risk and return characteristics of their section's funding strategy. The limit of this strategy depends on the strength of the employer's covenant. The Trustees will have the covenant independently assessed by a professional covenant advisor.

Costs and charges

Pension scheme costs are complex. Those considering a DB Master Trust are encouraged to contact providers for information on the costs which would apply to their particular scheme.

We charge an annual asset based fee at a fixed number of basis points of the assets invested on the Mercer platform. We do not levy an upfront fee. For example there is no upfront fee to cover the legal costs incurred by Mercer or the Trustees in opening a new employer section. The asset based fee also covers all ongoing costs including:

- Proven investment management offering.
- Actuarial valuation.
- Trusteeship and enhanced governance with 3 professional trustees.
- Covenant advice.
- Management charges on invested assets ("AMCs").
- Administration including pensioner payroll.
- Member services.
- Management information including online "real-time" funding and investment information.

To finalise the fee Mercer will discuss with the employer the specific details of the benefits to be provided and whether there are any significant issues or concerns with the quality of the data.

What additional fees may/will apply?

The assets under management fee does not include the PPF levy nor any advice relating to company accounting disclosures.

For any one-off projects, such as member option exercises, GMP equalisation or bulk annuity transfer, a separate fee will be agreed in advance.

Other costs

The following are examples of additional work that may be required depending on the circumstances of the transferring scheme:

- Data cleansing work (if required on transfer) to ensure the member data is up to date and correct.
- GMP reconciliation, rectification and equalisation exercises.
- Work to ensure compliance with the Pensions Dashboard
- Member options exercises requested by the employer, such as pension increase exchange exercises
- Covenant and Legal work on subsequent change of employers
- Buy in or buy out

Provider and trustees' remuneration

The fixed basis point fee for assets under management will cover all ongoing costs including trusteeship, adviser costs and Mercer's own costs as provider.

Joining and Leaving
Entry process and costs

We do not levy an upfront fee for the entry process or on-boarding to the Mercer DB Master Trust. Instead our upfront costs are spread over the life of the contract and included in the fixed basis point fee for assets under management. Note that the transferring trustees and the employer will likely incur third party costs in respect of the transfer, for example for advice sought from their own legal advisors or current Scheme Actuary

Exit process and costs

It is straightforward to exit. The members will be bulk transferred to the new provider along with all assets and liabilities, and the employer's section of the Mercer DB Master Trust will be closed down. The administrator will provide the necessary data and if required can help with any transition queries. In essence this is the reverse process we use for migrating the scheme into the Mercer DB Master Trust.

We do not charge an upfront installation fee, but we do charge for any transition or legal costs incurred as part of the exit process.

Provider Summary

The Mercer DB Master Trust combines the experience of a long standing Master Trust with the fresh-thinking of our experts to deliver a solution that significantly benefits the Scheme, the Sponsor and, most importantly, the Members:



Member first

Pension funds exist to secure the future for its members. By having a member first approach both Trustees and sponsor can ensure that the plan meets its obligations without over burdening the sponsor. The Administrators continue to invest in solutions that enhance the member experience:

- **Member online portal** - access real time data, self-service functionality delivers calculations upon demand and an easy to use retirement planning tool in a total pension dashboard
- **Pension Decision Service** – a unique and dedicated service providing support to members as they approach their retirement



Better value

By being a part of Mercer DB Master Trust you can leverage economies of scale and buying power with individual investment managers, thus adding value to the fund by reducing investment fees:

- Investment buying power - In partnering with Mercer, you become a £300 billion buyer of 'A' rated funds therefore we expect to be able to realise significant cost efficiencies. **We use our collective scale buying power exclusively to benefit our clients**
- Typically, cost savings on underlying managers of up to 90% are generated
- Mercer does not charge a performance related fee as standard
- Mercer does not manage securities in-house, we allocate only to independently selected, highly rated third party investment managers
- Figures show that the Mercer's fiduciary management model outperforms strategies previously employed by our clients by c20% with materially less volatility than the average UK pension plans



Smooth transition

A move to Master Trust creates a risk and an opportunity. You need an effective transition plan and an experienced team that can **mitigate any risks** but at the same time use the move to **enhance the member experience**. We will deliver a well-planned, well-managed and well-executed project.



Smoother path to end game

Your long-term objective is full scheme buyout making Mercer the perfect partner for your journey. Using our significant experience and expertise, we will work with you to design a definitive investment journey plan that **maximises returns in a risk controlled manner** whilst also designing a risk transfer strategy that address the Scheme liabilities in an efficient and effective manner and considers the options available to members in order to **accelerate your journey to wind up**.



Curated expertise

You need access to advice and expertise. While many firms have the depth and breadth of skills required, you need a solution that guides you to these pockets of excellence when needed. You need somebody to curate the pool of talent at your disposal to ensure stakeholder outcomes.



Best in class

Master Trust solutions concentrate on driving out complexity and cost and therefore end up with an integrated delivery model. A solution that encourages continual improvement and best in class adoption for the life of the plan.

Mercer has **market leading propositions** for most component of the Master Trust:

About this Self-Certificate

Important note

All information in this Self-Certificate is provided by the entity shown on the front cover as having completed the Self-Certificate. No reliance should be placed on this information and parties considering defined benefit (“DB”) Master Trusts remain responsible for carrying out appropriate investigations, obtaining relevant information directly from relevant DB Master Trusts, and seeking appropriate professional advice in advance of making any decision.

The template for this Certificate was created by the Defined Benefit Master Trusts working group. At the time the template was issued, the working group comprised the Department for Work and Pensions (“DWP”), the Pensions and Lifetime Savings Association (“PLSA”), Abrdn, Deloitte, Hymans Robertson, Mercer, the Pensions Management Institute, Punter Southall, TPT and Travers Smith (henceforth called “the working group”). The PLSA have kindly agreed to host completed Self-Certificates on their website.

For the avoidance of doubt the working group does not audit, verify or otherwise check the information presented in DB Master Trust Self-Certificates.

Self-Certificate version number

This Self-Certificate is based on template version number 1, issued by the working group on 27 October 2021.

Purpose of the Self-Certificate

The Self-Certificate is intended to summarise factual information to assist DB scheme trustees and employers to understand the key features of DB Master Trusts which are available to accept transfers of DB pension schemes. It is not intended to provide comprehensive information on the DB Master Trust.

DWP support the creation of this template, to encourage the consolidation of DB pension schemes where it can benefit the schemes by reducing costs, enabling more effective investment strategies and improving governance.

Schemes the Self-Certificate applies to

The Self-Certificate is for registered UK occupational defined benefit pension schemes that offer to accept transfers of the defined benefit pension assets and liabilities of non-associated employers while maintaining the transferring employers’ responsibilities for the liabilities. The template is not for superfunds or other arrangements where the link with the sponsoring employers is severed.

Guidance

The working group has published “Guidance for Completing a DB Master Trust Self-Certificate”. Self-Certificates should be considered in conjunction with the Guidance, which contains information on how entities are expected to complete the various fields.

Location of Self-Certificates

Completed Self-Certificates are published online subject to certain acceptance criteria summarised in the Guidance. Self-Certificates together with the template and Guidance can be found at this location:

<https://www.plsa.co.uk/Policy-and-Research/Defined-Benefit/DB-Master-Trust-Self-Certificates>

Questions about Self-Certificates

Any queries should be raised with the entity that has completed the Self-Certificate using the contact details provided on the front cover.