

Mercer's Executive and Broad-based Employee Retirement Tool (EBeRT)

Valuing the missing piece of executive compensation — retirement benefits

The environment

The last few years have seen increased demands from shareholders wanting to know how much senior executives are being paid – and not just salary and bonus. The SEC requires more transparent declaration of senior executives' total compensation packages, including that important but often not quantified piece of the compensation package: executive retirement benefits.

In this climate of intense scrutiny, companies must not only understand their executive benefit plans and where they fit into the total compensation picture, but also be prepared to defend their plans with business and competitive rationale in proxy statements.

Yet assessing the value of executive benefits and their comparative worth in the marketplace can be a challenging prospect. The many complex variables involved make it difficult to compare benefits across companies (or even among executives in the same company).

Until now, companies would have had to estimate, or rely on the often misleading values disclosed in the proxy.

Mercer's solution

Mercer has developed the proprietary [Executive and Broad-based Employee Retirement Tool \(EBeRT\)](#) to conduct peer group and general market retirement benefits comparisons by company size and industry. Using EBeRT's data from more than 1,100 US for-profit companies, Mercer can help you understand how your company stacks up against other companies with which you compete for executive talent.

Now companies have solid information for designing their total remuneration programs to attract and retain key talent. And they can more effectively explain their plans to stakeholders.

Detailed retirement benefits data for more than 1,100 US for-profit companies. Data is real-time, which is critical in this rapidly changing retirement landscape.

This level and organization of information cannot be obtained from current market surveys or from proxy disclosures.



Contact us

For more information about Mercer's solution to understanding and valuing executive retirement benefits within the context of total executive remuneration, please click **here** to contact our Executive Benefits Group.

| | EBeRT | Others |
|-------------------|---|--|
| Source | EBeRT uses data from the most recent SEC filings, so data is always current. | Other sources use survey data that is difficult to interpret and is data. |
| Population | EBeRT contains over 1,100 US for-profit companies, with a focus on the Fortune 500 companies. Approximately 40% of the companies in EBeRT have annual revenue of more than \$5 billion. | Most surveys include a much smaller number of companies, very few of which have annual revenue of more than \$5 billion. |
| Analysis | Details are obtained from public filings and actual plan documents. | Information and interpretation are less comprehensive. |
| Process | EBeRT enables calculation of benefits for specific executives or profiles, to provide a relevant and insightful comparison. | Survey data is typically insufficient to enable calculation/projection of benefit levels. |

Case Study

Situation

A large wholesaler was providing nonqualified defined benefit and defined contribution plans with substantial benefits for its senior management. As part of a total executive remuneration review, the company needed to understand the projected retirement benefits levels of the plan and how they compared to industry and peer company practice, in light of total rewards objectives.

Challenge

The company and its industry have a long history of providing high-end retirement benefits. Yet there was a desire to shift the total compensation package toward more variable elements to enhance the link between pay and performance.

Action

We used our EBeRT to help us benchmark the company's plans against those of peer companies by calculating income replacement ratios and equivalent lump sum values at retirement. We identified the company's current plan provisions that exceeded market standards and drove costs, and we recommended a new plan design that would be competitive while reducing the company's financial liability.

Result

The company closed the current plans to new participants and implemented a replacement plan more in line with market practice. Existing participants kept their expected benefits, but future plan costs were substantially reduced. In addition, the company was well-prepared to meet the transparent SEC disclosure requirements on retirement benefits.

What you get

Through EBeRT, Mercer can help you understand:

Prevalence of Plans - Prevalence of various types of nonqualified retirement plans offered by each of your peer companies, including:

- SERPs
- Restoration plans
- Voluntary deferral plans

Projected benefit levels - Understand the projected level of benefits your peer companies are providing to their executive in terms of:

- The percentage of final earnings at retirement replaced by each plan
- The equivalent lump sum value of the benefits
- Annualized value for comparison of total remuneration

Plan design analysis - Analyze plan design provisions that could materially affect the value to executives, including:

- Early retirement eligibility and benefit reduction factors
- Benefit subsidies created by different forms of payment

Market trends - Monitor trends that develop over time, including changes in plan structures and benefit levels