

Item 1 – Cover Page

Mercer Investment Management, Inc.

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This brochure provides information about the qualifications and business practices of Mercer Investment Management, Inc. (formerly known as Mercer Global Investments, Inc.) (“Mercer”). If you have any questions about the contents of this brochure, please contact us via email at mgicompliance@mercerc.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Mercer is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Mercer also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Material changes since the last annual update of our brochure on March 31, 2011 include the addition of a new investment fund which is detailed in Item 10 herein.

Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 3 -Table of Contents	iii
Item 4 – Advisory Business	1
Item 5 – Fees and Compensation.....	3
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 – Disciplinary Information.....	8
Item 10 – Other Financial Industry Activities and Affiliations.....	9
Item 12 – Brokerage Practices.....	12
Item 14 – Client Referrals and Other Compensation.....	14
Item 15 – Custody	15
Item 16 – Investment Discretion	16
Item 17 – Voting Client Securities.....	17
Item 18 – Financial Information.....	18

Item 4 – Advisory Business

Mercer has been providing investment advisory services to clients as a registered investment adviser since 2005. As of December 31, 2010, Mercer had discretionary assets under management of \$12,486,287,996. Mercer is a wholly-owned subsidiary of Mercer Inc. which is in turn a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. Marsh & McLennan Companies is a public corporation listed on the New York, Chicago, and London stock exchanges (ticker symbol: MMC). Marsh & McLennan Companies website address is www.mmc.com.

Mercer provides discretionary investment management services primarily utilizing a multi-manager approach to investing. Mercer's approach is based on a proprietary multi-manager platform that consists of a carefully constructed array of investment products. Within this context, Mercer manages a series of pre-defined investment strategies that differ by risk and potential return characteristics. Most of Mercer's investment strategies employ multiple subadvisors to seek the desired diversification and risk characteristics.

Mercer may allocate client assets among the same strategies or pooled vehicles managed by third party investment managers used by other clients of Mercer. This may lead to a conflict with respect to allocating client assets among the same manager strategies where capacity is limited. Where manager capacity for a particular strategy is limited, Mercer is not obligated to seek additional capacity from the manager and will attempt to select a similar strategy of a different manager.

Mercer may assist clients with developing investment objectives and an asset allocation strategy, and by providing portfolio structure analysis and asset rebalancing, however, the final decision regarding asset allocation remains with the client.

Certain aspects of Mercer's services may be delegated to, or provided in connection with, one of its affiliates, including Mercer (US) Inc. or Mercer Investment Consulting, Inc. ("MIC"). These services may include investment manager research, assistance with reporting investment performance to clients, research on custodians and transition brokers, and other services.

In performing its services, Mercer may select investment managers for clients on either a segregated or a pooled basis, or a combination thereof. Mercer may invest client assets in:

- Mutual funds managed by Mercer ("Mercer Funds");
- Other pooled investment vehicles (including common collective trusts and private funds) managed by Mercer or its affiliates ("Mercer Pooled Funds" and, together with the Mercer Funds, the "Affiliated Funds"); and
- Mutual funds, pooled investment vehicles (including collective trusts), or separate accounts managed by third-party investment managers.

The decision to invest client assets in either a pooled vehicle or separate account is based on a number of factors, including the client's investment strategy, objectives, restrictions, size, and available assets and cash.

For more information on the Affiliated Funds please refer to their offering documents.

Mercer also takes part in offering certain specialized discretionary investment advisory services to its clients, in conjunction with its affiliates. These include the following:

- i. **Implemented Consulting Services.** The Implemented Consulting service offering enables clients of MIC, an affiliated registered investment adviser, to leverage Mercer's investment and operational expertise, including Mercer's proprietary multi-manager platform. Implemented Consulting services are primarily available to clients with an interest in delegating investment discretion over investment through on-going multi-manager selection and termination; cash management; rebalancing to policy targets; implementation and on-going monitoring of portfolios.
- ii. **Mercer Dynamic De-risking Solution ("MDDS").** MDDS provides an investment mechanism that seeks to transition a client's pension plans to a more de-risked position as the overall funded status of the plan improves. This is achieved by working with a client to develop rebalancing triggers at which the plan's investments are reallocated from growth and liability-hedging assets. MDDS employs investment management and administrative services of Mercer, the consulting services of MIC, and the actuarial consulting and retirement risk services of Mercer (US) Inc. in a holistic service offering to defined benefit pension plans.

Item 5 – Fees and Compensation

Mercer does not have a standard fee schedule. Mercer's fees are negotiable and are calculated as a percentage of assets under management.

Except as described below, Mercer's fees typically:

- Are billed to clients quarterly in arrears, based upon the daily market value of the client's account during each month of the calendar quarter;
- Do not include trustee fees, custody fees, brokerage commissions or transaction costs and mutual fund expenses; and
- May include fees charged by subadvisors hired by Mercer to manage client assets.

Please see Item 12 of this brochure for a discussion of Mercer's brokerage practices.

The fees Mercer, or its affiliates, may earn from Affiliated Fund, if any, are described in the Funds' offering documents. While any such fee arrangements could raise a conflict of interest for Mercer, fees (and waivers as necessary) are structured to avoid such conflicts and to comply with applicable law, including regulations and guidance applicable to client portfolios subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

The investment management costs associated with certain asset classes may be higher than those for other asset classes. In the normal course of business, Mercer may suggest clients adjust their asset allocation policy which may result in increased allocations to more costly asset classes. In making asset allocation recommendations, Mercer considers several factors unique to each client's investment needs and objectives, financial circumstances, and risk tolerances as well as the long term return and risk profile of the various asset classes being considered. In such situations, Mercer may also seek to renegotiate a higher advisory fee with the client to reflect the additional investment management costs associated with the higher cost asset class. While Mercer may, therefore, have an incentive to recommend such asset classes, the final decision with respect to asset allocation, advisory fee levels, and, in some cases, whether to make the investment remains with the client.

Since the fees of certain subadvisors may be paid from Mercer's revenues, Mercer may have a financial incentive to choose a subadvisor with relatively lower fees and costs, or to terminate a subadvisor with relatively higher fees and costs. To reduce the likelihood of these conflicts, Mercer and its affiliates have taken the following steps:

- Mercer does not consider fees and costs when evaluating potential subadvisors. Fees and costs are negotiated after a potential subadvisor has been identified but before the execution of an advisory agreement. However, Mercer will remove from consideration any potential subadvisor with which it cannot agree on an appropriate fee structure.

Certain of the subadvisors hired by Mercer to manage client assets may be clients of Mercer or its affiliates, including MIC. The revenue earned from these investment managers may create a financial incentive for Mercer to hire them instead of other managers, potentially impairing Mercer's ability to select

or terminate them objectively. Mercer believes that it has appropriately minimized or eliminated the likelihood that such other business relationships would influence its selection of subadvisors by taking the following steps:

- Mercer's manager selection and termination activities follow a defined and documented process. At no time during the evaluation process is the status of a manager as a client of Mercer considered;
- Mercer's portfolio management staff does not receive any form of compensation that is directly linked to services provided to investment managers or their affiliates. Compensation is linked to the overall business results of Mercer and its parent company; and
- Mercer does not consider other relationships that may exist between a client and Mercer, its affiliates or its employees when selecting or terminating subadvisors.

Item 6 – Performance-Based Fees and Side-By-Side Management

Mercer does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Mercer provides investment management services primarily to institutions based in the United States or its territories, including banks or thrift institutions, registered investment companies and other pooled investment vehicles, pensions and profit plans, endowments, foundations and charitable organizations, corporations, and other business entities. Mercer does not require a minimum investment or account balance to open or maintain an account.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Mercer typically (but not always) selects subadvisors or third party fund managers from a universe of investment managers that are rated highly by MIC. MIC evaluates managers based on quantitative and qualitative factors, including:

- An assessment of the strength of the overall investment management organization;
- The qualifications, credentials, and investment track records of the people involved in the investment process;
- The appropriateness of the investment product and its composites; and
- An analysis of the investment manager's investment philosophy and process, risk-adjusted performance, consistency of performance, and the style purity of the product.

Mercer also considers MIC's rating of investment manager's strategy when Mercer determines to retain or terminate a subadvisor or third party fund managers.

Although the ratings of MIC are given substantial weight in the decision making process, Mercer's investment personnel perform their own analysis of potential and existing subadvisors and are ultimately responsible for selecting or terminating a subadvisor. Therefore, there is a possibility that Mercer's decision with respect to a particular subadvisor may differ from recommendations made by MIC. Clients will not be notified when Mercer's recommendations differ from those of MIC.

Mercer may invest client assets in the Affiliated Funds or other investment products managed by third party managers. Such investment products, including Affiliated Funds, which may be managed by subadvisors selected by Mercer, invest in securities that are subject to inherent market risks and fluctuations in value due to earnings, economic and political conditions and other factors. These risks could adversely affect the net asset value and total return of the Affiliated Funds, the value of the Affiliated Funds' and other investment products' investments, and clients' accounts. Investing in securities involves risk of loss that clients should be prepared to bear. Information about the material risks of the Affiliated Funds may be found in their offering documents. Information about the investment strategies used to implement each subadvisor's investment advice is included in the subadvisor's brochures, which are available to clients on the SEC's website at www.adviserinfo.sec.gov, or from Mercer upon request.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Mercer or the integrity of Mercer's management. Mercer has no information applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

As described above, Mercer is a subsidiary of Marsh & McLennan Companies, a large diversified professional services company. As a result, Mercer will have arrangements that are material to its advisory business with MMC and its subsidiaries. The following describe the arrangements that Mercer has with subsidiaries of Marsh & McLennan Companies, along with any applicable conflicts of interest:

MMC Securities Corp (“MMCSC”)

Certain Mercer employees are registered representatives of MMCSC. MMCSC is registered with the SEC as a broker-dealer and an investment advisor and is a member of the Financial Industry Regulatory Authority (FINRA). MMCSC also serves as a selling dealer and placement agent for certain Affiliated Funds. Expenses associated with MMCSC’s services are paid by Mercer, not Mercer’s clients.

The Affiliated Funds

As described in Item 4 above, Mercer serves as the investment manager to the Affiliated Funds, including the Mercer Funds, an open-ended investment company registered under the Investment Company Act of 1940, the Mercer Group Trust, the Mercer Collective Trust, and Mercer ERISA Hedge Fund Investors Limited, a Cayman Islands exempted company. To the extent permitted by applicable law, clients may invest in the Affiliated Funds. The conflicts raised by these arrangements, and related controls, are described in Item 5.

MIC

MIC is a registered investment adviser with the SEC and provides customized investment consulting and monitoring services to its clients. As discussed in Items 4 and 8 above, Mercer relies in part on the manager research activities of MIC. Mercer also utilizes performance reporting capabilities as well as other expertise provided by MIC, including broker selection and custody provider capabilities. Mercer compensates MIC for the services it provides. The conflicts raised by this arrangement, and related controls, are described in Item 5. In addition, for more specific information on MIC’s conflicts of interest please see its brochure which is available to clients on the SEC’s website at www.adviserinfo.sec.gov, or from Mercer upon request.

Additionally, MIC may from time to time evaluate Mercer, or recommend Mercer to its clients in a manner consistent with applicable law, and MIC’s clients may from time to time invest in Affiliated Funds. MIC may indirectly benefit from a client’s investments in any Affiliated Funds to the extent Mercer earns fees for managing the client’s assts. MIC and Mercer, however, structure their fees (and waivers as necessary) to avoid such conflicts and to comply with applicable law, including regulations and guidance applicable to client portfolios subject to ERISA.

MDDS and Implementing Consulting

As described in Item 4 above, Mercer, in conjunction with certain affiliates, offers MDDS and Implemented Consulting services to its clients.

Hammond Associates Investment Fund Consultants (“HAIFC”)

HAIFC is a Missouri corporation and a wholly owned subsidiary of MIC. HAIFC, a registered investment adviser with the SEC, provides investment consulting to institutional and high net worth

individual clients. HAIFC serves as investment manager to certain private Affiliated Funds (“HAIFC Funds”). Certain portfolio managers of the HAIFC Funds also manage certain Affiliated Funds. These portfolio managers do not receive additional compensation for their roles in the management of the Affiliated Funds. In addition, both funds may compete for access to a particular underlying manager due to either an underlying fund closing or unwillingness to accept ERISA assets. Allocations among underlying funds by the Affiliated Funds and HAIFC Funds are subject to the applicable client allocation procedures for such limited capacity managers. From time to time and in accordance with each client’s investment objectives, Mercer clients may invest in HAIFC Funds to the extent permitted by applicable law, including ERISA. Additionally, as discussed above, clients of Mercer may from time to time invest in the HAIFC Funds to the extent permitted by applicable law, including ERISA. Mercer may indirectly benefit from a client’s investments in the HAIFC Funds to the extent HAIFC earns fees for managing the client’s assets. Mercer, however, structures its fees (and waivers as necessary) to avoid such conflicts and to comply with applicable law, including regulations and guidance applicable to client portfolios subject to ERISA.

Mercer Trust Company (“MTC”)

MTC, a New Hampshire limited purpose trust company affiliated with Mercer, serves as trustee for the Mercer Collective Trust and Mercer Group Trust in which Mercer clients may invest. MTC and Mercer compensate each other for expenses related to their respective services.

Mercer Global Investments Canada Limited (“MGI Canada”)

MGI Canada is a wholly owned subsidiary of MGI and is registered as an investment fund manager, exempt market dealer, and portfolio manager with the Ontario Securities Commission. Certain of MGI Canada’s employees that are dual-employees of MGI Canada and Mercer, provide portfolio management services to Mercer. MGI Canada’s clients may also invest in the Affiliated Funds.

Mercer (US), Inc.

Mercer (US), Inc. provides pension consulting advice to clients of Mercer. Mercer (US) Inc.’s advice could result in an increase in assets being managed by Mercer on behalf of the client, or an increased allocation of assets to more expensive asset classes. These actions could result in greater fees for Mercer. Mercer (US), Inc. believes it has adopted standards it believes are reasonably designed to provide advice in a manner that is independent of Mercer’s involvement and consistent with applicable law and in the best interest of its clients. Those standards prohibit Mercer (US), Inc. from providing advice or engaging in any activity that places the interests of Mercer or its affiliates above those of its clients.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Directors, officers and employees of Mercer and its affiliates may from time to time hold, have acquired or sold, or may subsequently acquire or sell, for their personal accounts, securities (including shares of Affiliated Funds) that may also be held, or have been purchased or sold, for the accounts of Mercer's clients. Mercer's employees may also have a personal or financial incentive to select an investment manager or its strategies on behalf of its clients. This typically arises when employees:

- Recommend or selects managers that have purchased Marsh & McLennan Companies' stock for their own accounts or for those of their clients
- Invest in publicly traded asset management firms and/or their products
- Receive gifts or entertainment from a manager
- Have a family or other personal relationship with a manager

As a condition of employment, Mercer's employees are required to comply with the code of ethics which consists of the Marsh & McLennan Companies' Code of Conduct – The Greater Good and Ethics, the Mercer Code of Professional Conduct, and a Personal Investing policy (collectively the "Mercer Code of Ethics"). The Mercer Code of Ethics is intended provide stringent requirements for dealing with complex ethical matters including, among other things, to confirm that personal investing activities by Mercer employees are consistent with Mercer's fiduciary duty to its clients. The Mercer Code of Ethics requires employees to report all securities transactions (with certain exceptions) and to provide copies of their brokerage statements to the Mercer compliance department. A copy of the Mercer Code of Ethics is available at no charge to any client or prospective client upon request.

As described in Item 4, Mercer's clients may invest in the Affiliated Funds, including HAIFC Funds to the extent permitted by applicable law, including ERISA. Mercer may have a financial interest in those funds to the extent that it or its affiliates earns a fee from them. Fees and any related conflicts are described in Items 5 and 10, respectively.

Mercer has also adopted a policy designed to manage the receipt and giving of certain gifts and entertainment.

Item 12 – Brokerage Practices

Except as noted below, Mercer does not select or recommend broker-dealers for client transactions. Subject to certain guidelines and restrictions, Mercer delegates that responsibility to the subadvisors it retains to manage client assets. Mercer requires that each subadvisor have its own policies and procedures for the selection of broker-dealers, for seeking best execution and for allocating trades fairly, and reviews such policies and procedures for adequacy prior to hiring a subadvisor.

Mercer may assist clients in hiring a transition manager to assist with investing substantial additions to a client's account, or raising cash to meet a client withdrawal. Mercer may also hire a transition broker when it replaces a subadvisor to re-align an existing portfolio with recommendations provided by the new subadvisor. Mercer selects transition brokers based upon an analysis of the ability of the transition broker to obtain best execution for the client's portfolio. Mercer does not always select a transition broker that in hindsight, could have offered the most favorable commissions to the account. Rather, in determining which transition broker may be able to obtain best execution, Mercer considers the totality of the services that the transition broker can provide, factors such as: commission structure; its capability to execute difficult trades (possible market impact, size of the order and market liquidity); opportunity for block transactions; confidentiality; resources; responsiveness; access to markets; and/or financial stability.

Mercer does not participate in soft dollar or other client commission arrangements.

Item 13 – Review of Accounts

Mercer reviews client portfolios on a regular basis to, among other things, confirm that allocations are within target ranges and are compliant with the client's investment policy. Mercer regularly monitors subadvisor activity to confirm that the subadvisor is acting in accordance within relevant guidelines and restrictions set forth in investment guidelines, investment advisory agreements and/or other documents.

The frequency and content of client reporting is agreed with each client. At a minimum, clients receive quarterly reports.

Item 14 – Client Referrals and Other Compensation

Employees of certain affiliates of Mercer may receive credits toward new business goals, to the extent the employees refer business to Mercer. An employee's total compensation is typically based upon several factors, including the performance of:

- The employee;
- The business unit; and
- The company and its parent

Certain sales professionals who are associated persons of Mercer are eligible to receive sales commissions for new business introduced to Mercer. Sales commissions are paid by Mercer or its affiliates, and are not paid by the client.

Item 15 – Custody

Mercer does not accept or seek to maintain physical custody of assets or securities for any client. However, under SEC custody rules, Mercer is deemed to have "custody" of client funds or securities because certain client assets may be invested in Affiliated Funds for which MTC, an affiliate of Mercer, serves as trustee. Certain Mercer clients may also invest in the HAIFC Funds from time to time to the extent permitted by applicable law, including ERISA. In such cases, Mercer would be deemed to have "custody" of such client funds or securities because HAIFC (or its affiliates) serves as managing member or general partner of the HAIFC Funds. All client assets invested in Affiliated Funds, including HAIFC Funds, are held by third-party qualified custodians.

Affiliated Funds that are private pooled investment vehicles are exempt from certain requirements of the Custody Rule because:

- The Affiliated Funds undergo an annual audit by independent accountants subject to inspection by the Public Company Accounting Oversight Board (PCAOB), and
- The results of such audit will be distributed to each investor in the Affiliated Funds (which are fund of funds) no later than 180 days after the end of each Affiliated Fund's fiscal year.

Mercer provides each client with information pertaining to the custodian promptly upon investing client assets in the Affiliated Funds. Clients will also receive periodic statements from the qualified custodian hired maintaining client funds and securities. Mercer urges clients to carefully review such statements and compare such official custodial records to the performance evaluation reports that Mercer provides to clients. Mercer's performance evaluation reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Clients typically delegate authority to Mercer to manage their securities accounts through an investment management agreement executed between the client and Mercer. Prior to accepting such authority, Mercer requires each client to provide Mercer with a written statement of its investment objectives, policies and restrictions.

Item 17 – Voting Client Securities

Mercer does not vote proxies relating to securities held in client accounts. It has delegated that responsibility to the subadvisors it retains to manage client assets.

Mercer believes that good corporate governance should, in the long term, lead to both better corporate performance and improved shareholder value. Thus, it expects its subadvisors to vote based on the premise that board members of companies in which they have invested Mercer clients' assets should act in the service of the shareholders, view themselves as stewards of the financial assets of the company, exercise good judgment and practice diligent oversight with the management of the company. Underlying the Mercer voting policy are the following fundamental objectives:

- Mercer expects its subadvisors to seek to act in the best financial interests of its clients to protect and enhance the long-term value of their investments.
- Mercer expects its subadvisors to use the full weight of its clients' shareholdings in making its views felt.
- Mercer expects its subadvisors to have a strong commercial interest in ensuring that the companies in which they invest clients' accounts are successful and to actively pursue this interest by promoting best practice in the boardroom.
- Mercer expects its subadvisors to have appropriate procedures in place to deal with conflicts of interest in voting proxies.

However, if Mercer is required to vote proxies on behalf of any Affiliated Funds, it will vote those proxies pursuant to its proxy voting policy. A copy of Mercer's proxy voting policy may be viewed by visiting www.mgifunds.us or may be requested free of charge by contacting Mercer. Mercer's clients may obtain a copy of their proxy voting record by contacting Mercer.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Mercer's financial condition. Mercer has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.