MARSH & MCLENNAN COMPANIES, INC.
Form 10-Q
July 28, 2017

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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FORM 10-Q

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Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2017

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Marsh & McLennan Companies, Inc.
1166 Avenue of the Americas
New York, New York 10036
(212) 345-5000

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Commission file number 1-5998
State of Incorporation: Delaware
I.R.S. Employer Identification No. 36-2668272

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large Accelerated Filer x | Accelerated Filer ¨ |
| Non-Accelerated Filer ¨(Do not check if a smaller reporting company) | Smaller Reporting Company ¨ |
| | Emerging Growth Company ¨ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
As of July 25, 2017, there were outstanding 512,524,877 shares of common stock, par value $1.00 per share, of the registrant.

INFORMATION CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. These statements, which express management's current views concerning future events or results, use words like "anticipate," "assume," "believe," "continue," "estimate," "expect," "intend," "plan," "project" and similar terms, and future or conditional tense verbs like "could," "may," "might," "should," "will" and "would." Forward-looking statements are subject to inherent risks and uncertainties that could cause actual results to differ materially from those expressed or implied in our forward-looking statements.

Factors that could materially affect our future results include, among other things: the impact of any investigations, reviews or other activity by regulatory or law enforcement authorities in the U.S., U.K. and other countries, including the U.K. Financial Conduct Authority's ongoing investigation into the aviation insurance and reinsurance sector; the impact from lawsuits, other contingent liabilities and loss contingencies arising from errors and omissions, breach of fiduciary duty and other claims against us; our ability to compete effectively and adapt to changes in the competitive environment, including to respond to disintermediation, pricing pressures and technological and other types of innovation; our exposure to potential civil damages, criminal penalties or other consequences, such as reputational impact, if we fail to comply with applicable U.S. and non-U.S. laws and regulations; our organization's ability to maintain adequate safeguards to protect the security of our information systems and confidential, personal or proprietary information, particularly given the volume of third party vendors we use; our ability to successfully recover if we experience a business continuity problem due to cyberattack, natural disaster or otherwise; the impact of macroeconomic conditions, political events and market conditions on us, our clients and the industries in which we operate; the financial and operational impact of complying with laws and regulations where we operate, including the E.U.’s General Data Protection Regulation; our ability to attract and retain key employees; the effect of our global pension obligations on our financial position, earnings and cash flows and the impact of low interest rates on those obligations; the impact on our competitive position of our tax rate relative to our competitors; the impact of fluctuations in foreign exchange, interest rates and securities markets on our results; and the impact of changes in accounting rules or in our accounting estimates or assumptions.

The factors identified above are not exhaustive. We caution readers not to place undue reliance on any forward-looking statements, which are based only on information currently available to us and speak only as of the dates on which they are made. The Company undertakes no obligation to update or revise any forward-looking statement to reflect events or circumstances arising after the date on which it is made.

Further information concerning Marsh & McLennan Companies and its businesses, including information about factors that could materially affect our results of operations and financial condition, is contained in the Company's filings with the Securities and Exchange Commission, including the "Risk Factors" section and in the "Management’s Discussion and Analysis of Financial Condition and Results of Operations" section of our most recently filed Annual Report on Form 10-K.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In millions, except per share amounts) | 2017 | 2016 | 2017 | 2016 |
| Revenue | $3,495 | $3,376 | $6,998 | $6,712 |
| Expense: | | | | |
| Compensation and benefits | 1,935 | 1,872 | 3,880 | 3,726 |
| Other operating expenses | 796 | 778 | 1,545 | 1,527 |
| Operating expenses | 2,731 | 2,650 | 5,425 | 5,253 |
| Operating income | 764 | 726 | 1,573 | 1,459 |
| Interest income | 2 | 2 | 4 | 4 |
| Interest expense | (60) | (48) | (118) | (94) |
| Investment income (loss) | 5 | 1 | 5 | (2) |
| Income before income taxes | 711 | 681 | 1,464 | 1,367 |
| Income tax expense | 204 | 201 | 379 | 397 |
| Net income before non-controlling interests | 507 | 480 | 1,085 | 970 |
| Less: Net income attributable to non-controlling interests | 6 | 8 | 15 | 17 |
| Net income attributable to the Company | $501 | $472 | $1,070 | $953 |
| Net Income Per Share Attributable to the Company: | | | | |
| Basic | $0.98 | $0.91 | $2.08 | $1.83 |
| Diluted | $0.96 | $0.90 | $2.05 | $1.81 |
| Average number of shares outstanding: | | | | |
| Basic | 514 | 521 | 514 | 521 |
| Diluted | 520 | 525 | 521 | 526 |
| Shares outstanding at June 30, | 513 | 519 | 513 | 519 |

The accompanying notes are an integral part of these unaudited consolidated statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Net income before non-controlling interests | $507 | $480 | $1,085 | $970 |
| Other comprehensive income (loss), before tax: | | | | |
| Foreign currency translation adjustments | 290 | (334) | 525 | (321) |
| Unrealized investment gains | 24 | — | 19 | — |
| (Loss) gain related to pension/post-retirement plans | (5) | 163 | 28 | 301 |
| Other comprehensive income (loss), before tax | 309 | (171) | 572 | (20) |
| Income tax expense on other comprehensive income | 13 | 33 | 20 | 61 |
| Other comprehensive income (loss), net of tax | 296 | (204) | 552 | (81) |
| Comprehensive income | 803 | 276 | 1,637 | 889 |
| Less: comprehensive income attributable to non-controlling interest | 6 | 8 | 15 | 17 |
| Comprehensive income attributable to the Company | $797 | $268 | $1,622 | $872 |

The accompanying notes are an integral part of these unaudited consolidated statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

| (In millions, except share amounts) | (Unaudited) June 30, 2017 | December 31, 2016 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $ 966 | $ 1,026 |
| Receivables | | |
| Commissions and fees | 3,740 | 3,370 |
| Advanced premiums and claims | 49 | 83 |
| Other | 298 | 286 |
| | 4,087 | 3,739 |
| Less-allowance for doubtful accounts and cancellations | (103) | (96) |
| Net receivables | 3,984 | 3,643 |
| Other current assets | 232 | 215 |
| Total current assets | 5,182 | 4,884 |
| Goodwill | 8,821 | 8,369 |
| Other intangible assets | 1,233 | 1,126 |
| Fixed assets | | |
| (net of accumulated depreciation and amortization of $1,758 at June 30, 2017 and $1,683 at December 31, 2016) | 721 | 725 |
| Pension related assets | 981 | 776 |
| Deferred tax assets | 975 | 1,097 |
| Other assets | 1,529 | 1,213 |
| | $ 19,442 | $ 18,190 |

The accompanying notes are an integral part of these consolidated statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Continued)

| (In millions, except share amounts) | (Unaudited) June 30, 2017 | December 31, 2016 |
|---|---|---|
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Short-term debt | $ 162 | $ 312 |
| Accounts payable and accrued liabilities | 2,027 | 1,969 |
| Accrued compensation and employee benefits | 1,073 | 1,655 |
| Accrued income taxes | 193 | 146 |
| Dividends payable | 194 | — |
| Total current liabilities | 3,649 | 4,082 |
| Fiduciary liabilities | 5,039 | 4,241 |
| Less – cash and investments held in a fiduciary capacity | (5,039) | (4,241) |
| | — | — |
| Long-term debt | 5,479 | 4,495 |
| Pension, post-retirement and post-employment benefits | 1,986 | 2,076 |
| Liabilities for errors and omissions | 305 | 308 |
| Other liabilities | 949 | 957 |
| Commitments and contingencies | — | — |
| Equity: | | |
| Preferred stock, $1 par value, authorized 6,000,000 shares, none issued | — | — |
| Common stock, $1 par value, authorized 1,600,000,000 shares, issued 560,641,640 shares at June 30, 2017 and December 31, 2016 | 561 | 561 |
| Additional paid-in capital | 763 | 842 |
| Retained earnings | 12,915 | 12,388 |
| Accumulated other comprehensive loss | (4,541) | (5,093) |
| Non-controlling interests | 81 | 80 |
| | 9,779 | 8,778 |
| Less – treasury shares, at cost, 47,837,649 shares at June 30, 2017 and 46,150,415 shares at December 31, 2016 | (2,705) | (2,506) |
| Total equity | 7,074 | 6,272 |
| | $ 19,442 | $ 18,190 |

The accompanying notes are an integral part of these consolidated statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

| For the Six Months Ended June 30, (In millions) | 2017 | 2016 |
|---|---|---|
| Operating cash flows: | | |
| Net income before non-controlling interests | $1,085 | $970 |
| Adjustments to reconcile net income to cash provided by operations: | | |
| Depreciation and amortization of fixed assets and capitalized software | 156 | 154 |
| Amortization of intangible assets | 80 | 67 |
| Adjustments and payments related to contingent consideration liability | (13) | (8) |
| Gain on deconsolidation of subsidiary | — | (12) |
| Provision for deferred income taxes | 42 | 48 |
| (Gain) loss on investments | (5) | 2 |
| Loss on disposition of assets | 9 | 3 |
| Share-based compensation expense | 75 | 58 |
| Changes in assets and liabilities: | | |
| Net receivables | (318) | (280) |
| Other current assets | (18) | (37) |
| Other assets | (34) | (1) |
| Accounts payable and accrued liabilities | 52 | (24) |
| Accrued compensation and employee benefits | (579) | (645) |
| Accrued income taxes | 45 | 35 |
| Contributions to pension and other benefit plans in excess of current year expense/credit | (214) | (139) |
| Other liabilities | 9 | (10) |
| Effect of exchange rate changes | (29) | 48 |
| Net cash provided by operations | 343 | 229 |
| Financing cash flows: | | |
| Purchase of treasury shares | (400) | (410) |
| Net increase in commercial paper | 100 | — |
| Proceeds from debt | 987 | 347 |
| Repayments of debt | (256) | (6) |
| Shares withheld for taxes on vested units – treasury shares | (48) | (38) |
| Issuance of common stock from treasury shares | 94 | 131 |
| Payments of deferred and contingent consideration for acquisitions | (97) | (63) |
| Distributions of non-controlling interests | (13) | (11) |
| Dividends paid | (351) | (326) |
| Net cash provided by (used for) financing activities | 16 | (376) |
| Investing cash flows: | | |
| Capital expenditures | (144) | (114) |
| Net sales (purchases) of long-term investments | 12 | (4) |
| Proceeds from sales of fixed assets | 4 | 1 |
| Acquisitions | (412) | (77) |
| Other, net | 2 | 4 |
| Net cash used for investing activities | (538) | (190) |
| Effect of exchange rate changes on cash and cash equivalents | 119 | (63) |
| Decrease in cash and cash equivalents | (60) | (400) |
| Cash and cash equivalents at beginning of period | 1,026 | 1,374 |
| Cash and cash equivalents at end of period | $966 | $974 |

The accompanying notes are an integral part of these unaudited consolidated statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(Unaudited)

| For the Six Months Ended June 30,<br>(In millions, except per share amounts) | 2017 | 2016 |
|---|---|---|
| COMMON STOCK | | |
| Balance, beginning and end of period | $561 | $561 |
| ADDITIONAL PAID-IN CAPITAL | | |
| Balance, beginning of year | $842 | $861 |
| Change in accrued stock compensation costs | (10) | (10) |
| Issuance of shares under stock compensation plans and employee stock purchase plans and related tax impact in 2016 | (69) | (62) |
| Balance, end of period | $763 | $789 |
| RETAINED EARNINGS | | |
| Balance, beginning of year | $12,388 | $11,302 |
| Net income attributable to the Company | 1,070 | 953 |
| Dividend equivalents declared – (per share amounts: $1.06 in 2017 and $0.96 in 2016) | (2) | (4) |
| Dividends declared – (per share amounts: $1.06 in 2017 and $0.96 in 2016) | (541) | (500) |
| Balance, end of period | $12,915 | $11,751 |
| ACCUMULATED OTHER COMPREHENSIVE LOSS | | |
| Balance, beginning of year | $(5,093) | $(4,220) |
| Other comprehensive income (loss), net of tax | 552 | (81) |
| Balance, end of period | $(4,541) | $(4,301) |
| TREASURY SHARES | | |
| Balance, beginning of year | $(2,506) | $(1,991) |
| Issuance of shares under stock compensation plans and employee stock purchase plans | 201 | 225 |
| Purchase of treasury shares | (400) | (410) |
| Balance, end of period | $(2,705) | $(2,176) |
| NON-CONTROLLING INTERESTS | | |
| Balance, beginning of year | $80 | $89 |
| Net income attributable to non-controlling interests | 15 | 17 |
| Deconsolidation of subsidiary | — | (14) |
| Distributions and other changes | (14) | (11) |
| Balance, end of period | $81 | $81 |
| TOTAL EQUITY | $7,074 | $6,705 |

The accompanying notes are an integral part of these unaudited consolidated statements.

MARSH & McLENNAN COMPANIES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations

Marsh & McLennan Companies, Inc. and its consolidated subsidiaries (the "Company"), a global professional services firm, is organized based on the different services that it offers. Under this structure, the Company's two segments are Risk and Insurance Services and Consulting.

The Risk and Insurance Services segment provides risk management services and insurance broking, reinsurance broking and insurance program management services for businesses, public entities, insurance companies, associations, professional services organizations and private clients. The Company conducts business in this segment through Marsh and Guy Carpenter.

The Company conducts business in its Consulting segment through Mercer and Oliver Wyman Group. Mercer provides consulting expertise, advice, services and solutions in the areas of health, wealth and career. As of June 30, 2017, Mercer had assets under delegated management of $191 billion worldwide. Oliver Wyman Group provides specialized management and economic and brand consulting services.

Acquisitions impacting the Risk and Insurance Services and Consulting segments are discussed in Note 7 to the consolidated financial statements.

2. Principles of Consolidation and Other Matters

The consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. While certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations for interim filings, the Company believes that the information and disclosures presented are adequate to make such information and disclosures not misleading. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 (the "2016 Form 10-K").

The financial information contained herein reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the Company's consolidated financial statements as of and for the three and six month periods ended June 30, 2017 and 2016.

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of certificates of deposit and time deposits, with original maturities of three months or less, and money market funds. The estimated fair value of the Company's cash and cash equivalents approximates their carrying value. The Company is required to maintain operating funds of approximately $172 million, primarily related to regulatory requirements outside the United States or as collateral under captive insurance arrangements.

Investments

The Company holds investments in certain private equity funds. Investments in private equity funds are accounted for under the equity method of accounting using a consistently applied three-month lag period adjusted for any known significant changes from the lag period to the reporting date of the Company. The underlying private equity funds follow investment company accounting, where investments within the fund are carried at fair value. Investment gains or losses for the Company's proportionate share of the change in fair value of the funds are recorded in earnings. Investments accounted for using the equity method of accounting are included in other assets in the consolidated balance sheets.

The caption "Investment income (loss)" in the consolidated statements of income comprises realized and unrealized gains and losses from investments recognized in earnings. It includes, when applicable, other than temporary declines in the value of debt and available-for-sale securities and equity method gains or losses on the Company's investments in private equity funds. The Company recorded net investment income of $5 million in the second quarter of 2017 compared to $1 million for the same period in 2016, and net investment income of $5 million compared to a net investment loss of $2 million for the six months ended June 30, 2017 and 2016, respectively.

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Income Taxes

The Company's effective tax rate in the second quarter of 2017 was 28.6% compared with 29.5% in the second quarter of 2016. The effective tax rate for the first six months of 2017 and 2016 was 25.9% and 29.0%, respectively. The rates reflect foreign operations which are taxed at rates below the U.S. statutory tax rate, including the effect of repatriation, as well as the impact of discrete tax matters such as tax legislation, changes in valuation allowances, nontaxable adjustments to contingent acquisition consideration and, starting in 2017, excess tax benefits related to share-based compensation.

The Company is routinely examined by tax authorities in the jurisdictions in which it has significant operations. The Company regularly considers the likelihood of assessments in each of the taxing jurisdictions resulting from examinations. When evaluating the potential imposition of penalties, the Company considers a number of relevant factors under penalty statutes, including appropriate disclosure of the tax return position, the existence of legal authority supporting the Company's position, and reliance on the opinion of professional tax advisors.

The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in tax returns. The Company's gross unrecognized tax benefits increased from $65 million at December 31, 2016 to $66 million at June 30, 2017. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $9 million within the next twelve months due to settlements of audits and expirations of statutes of limitation.

3. Fiduciary Assets and Liabilities

In its capacity as an insurance broker or agent, the Company collects premiums from insureds and, after deducting its commissions, remits the premiums to the respective insurance underwriters. The Company also collects claims or refunds from underwriters on behalf of insureds. Unremitted insurance premiums and claims proceeds are held by the Company in a fiduciary capacity. Risk and Insurance Services revenue includes interest on fiduciary funds of $9 million and $6 million for the three months ended June 30, 2017 and 2016, respectively, and $17 million and $12 million for the six months ended June 30, 2017 and 2016, respectively. The Consulting segment recorded fiduciary interest income of less than $1 million for each of the three month periods ended June 30, 2017 and 2016, and $1 million for each of the six months ended June 30, 2017 and 2016. Since fiduciary assets are not available for corporate use, they are shown in the consolidated balance sheets as an offset to fiduciary liabilities.

Net uncollected premiums and claims and the related payables amounted to $7.7 billion at June 30, 2017 and $7.0 billion at December 31, 2016. The Company is not a principal to the contracts under which the right to receive premiums or the right to receive reimbursement of insured losses arises. Accordingly, net uncollected premiums and claims and the related payables are not assets and liabilities of the Company and are not included in the accompanying consolidated balance sheets.

In certain instances, the Company advances premiums, refunds or claims to insurance underwriters or insureds prior to collection. These advances are made from corporate funds and are reflected in the accompanying consolidated balance sheets as receivables.

4. Per Share Data

Basic net income per share attributable to the Company is calculated by dividing the after-tax income attributable to the Company by the weighted average number of outstanding shares of the Company’s common stock.

Diluted net income per share attributable to the Company is calculated by dividing the after-tax income attributable to the Company by the weighted average number of outstanding shares of the Company’s common stock, which have been adjusted for the dilutive effect of potentially issuable common shares.

| Basic and Diluted EPS Calculation | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In millions, except per share amounts) | 2017 | 2016 | 2017 | 2016 |
| Basic weighted average common shares outstanding | 514 | 521 | 514 | 521 |
| Dilutive effect of potentially issuable common shares | 6 | 4 | 7 | 5 |
| Diluted weighted average common shares outstanding | 520 | 525 | 521 | 526 |
| Average stock price used to calculate common stock equivalents | $75.41 | $64.17 | $73.36 | $60.01 |

There were 12.4 million and 13.9 million stock options outstanding as of June 30, 2017 and 2016, respectively.

5. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The following schedule provides additional information concerning acquisitions, interest and income taxes paid for the six-month periods ended June 30, 2017 and 2016.

| (In millions) | 2017 | 2016 |
|---|---|---|
| Assets acquired, excluding cash | $576 | $107 |
| Liabilities assumed | (74) | (4) |
| Contingent/deferred purchase consideration | (90) | (26) |
| Net cash outflow for acquisitions | $412 | $77 |

| (In millions) | 2017 | 2016 |
|---|---|---|
| Interest paid | $92 | $86 |
| Income taxes paid, net of refunds | $297 | $303 |

The classification of contingent consideration in the statement of cash flows is determined by whether the payment was part of the initial liability established on the acquisition date (financing) or an adjustment to the acquisition date liability (operating).

The following amounts are included in the consolidated statements of cash flows as a financing activity. The Company paid deferred and contingent consideration of $97 million for the six months ended June 30, 2017. This consisted of deferred purchase consideration related to prior years' acquisitions of $37 million and contingent consideration of $60 million. For the six months ended June 30, 2016, the Company paid deferred and contingent consideration of $63 million, consisting of deferred purchase consideration related to prior years' acquisitions of $39 million and contingent consideration of $24 million.

The following amounts are included in the operating section of the consolidated statements of cash flows. For the six months ended June 30, 2017, the Company recorded a net credit for adjustments to acquisition related accounts of $8 million and contingent consideration payments of $5 million. For the six months ended June 30, 2016, the Company recorded a net charge for adjustments related to acquisition related accounts of $18 million and contingent consideration payments of $26 million.

The Company had non-cash issuances of common stock under its share-based payment plan of $87 million and $70 million for the six months ended June 30, 2017 and 2016, respectively. The Company recorded stock-based compensation expense for equity awards related to restricted stock units, performance stock units and stock options of $75 million and $58 million for the six-month periods ended June 30, 2017 and 2016, respectively.

Effective January 1, 2017, the Company adopted new accounting guidance related to share-based compensation, that requires companies to record excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement and classify excess tax benefits as an operating activity in the statement of cash flows. Prior to the adoption of this standard, the Company recorded excess tax benefits in equity in the consolidated balance sheet and as a financing activity in the consolidated statement of cash flows. For the six months ended June 30, 2017, the adoption of this new standard reduced income tax expense in the consolidated statement of income by approximately $48 million. For the six months ended June 30, 2016, the Company recorded an excess tax benefit of $24 million as an increase to equity in its consolidated balance sheet, which was reflected as cash provided by financing activities in the consolidated statement of cash flows.

6. Other Comprehensive Income (Loss)

The changes, net of tax, in the balances of each component of Accumulated Other Comprehensive Income ("AOCI") for the three and six-month periods ended June 30, 2017 and 2016, including amounts reclassified out of AOCI, are as follows:

| (In millions) | Unrealized Investment Gains | Pension/Post-Retirement Plans Gains (Losses) | Foreign Currency Translation Gains (Losses) | Total Gains (Losses) |
|---|---|---|---|---|
| Balance as of April 1, 2017 | $ 16 | $ (3,208) | $ (1,645) | $(4,837) |
| Other comprehensive income (loss) before reclassifications | 14 | (40) | 289 | 263 |
| Amounts reclassified from accumulated other comprehensive income | — | 33 | — | 33 |
| Net current period other comprehensive income (loss) | 14 | (7) | 289 | 296 |
| Balance as of June 30, 2017 | $ 30 | $ (3,215) | $ (1,356) | $(4,541) |

| (In millions) | Unrealized Investment Gains | Pension/Post-Retirement Plans Gains (Losses) | Foreign Currency Translation Gains (Losses) | Total Gains (Losses) |
|---|---|---|---|---|
| Balance as of April 1, 2016 | $ 6 | $ (3,014) | $ (1,089) | $(4,097) |
| Other comprehensive income (loss) before reclassifications | — | 98 | (333) | (235) |
| Amounts reclassified from accumulated other comprehensive income | — | 31 | — | 31 |
| Net current period other comprehensive income (loss) | — | 129 | (333) | (204) |
| Balance as of June 30, 2016 | $ 6 | $ (2,885) | $ (1,422) | $(4,301) |

| (In millions) | Unrealized Investment Gains | Pension/Post-Retirement Plans Gains (Losses) | Foreign Currency Translation Gains (Losses) | Total Gains (Losses) |
|---|---|---|---|---|
| Balance as of January 1, 2017 | $ 19 | $ (3,232) | $ (1,880) | $(5,093) |
| Other comprehensive income (loss) before reclassifications | 11 | (46) | 524 | 489 |
| Amounts reclassified from accumulated other comprehensive income | — | 63 | — | 63 |
| Net current period other comprehensive income (loss) | 11 | 17 | 524 | 552 |
| Balance as of June 30, 2017 | $ 30 | $ (3,215) | $ (1,356) | $(4,541) |

| (In millions) | Unrealized Investment Gains | Pension/Post-Retirement Plans Gains (Losses) | Foreign Currency Translation Gains (Losses) | Total Gains (Losses) |
|---|---|---|---|---|
| Balance as of January 1, 2016 | $ 6 | $ (3,124) | $ (1,102) | $(4,220) |
| Other comprehensive income (loss) before reclassifications | — | 178 | (320) | (142) |
| Amounts reclassified from accumulated other comprehensive income | — | 61 | — | 61 |
| Net current period other comprehensive income (loss) | — | 239 | (320) | (81) |

| | | | | |
|---|---|---|---|---|
| Balance as of June 30, 2016 | $ 6 | $ (2,885) | $ (1,422) | $ (4,301) |

The components of other comprehensive income (loss) for the three and six-month periods ended June 30, 2017 and 2016 are as follows:

| Three Months Ended June 30, | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (In millions) | Pre-Tax | Tax (Credit) | Net of Tax | Pre-Tax | Tax (Credit) | Net of Tax |
| Foreign currency translation adjustments | $290 | $ 1 | $289 | $(334) | $ (1) | $(333) |
| Unrealized investment gains | 24 | 10 | 14 | — | — | — |
| Pension/post-retirement plans: | | | | | | |
| Amortization of losses included in net periodic pension cost: | | | | | | |
| Net actuarial losses (a) | 42 | 9 | 33 | 43 | 12 | 31 |
| Subtotal | 42 | 9 | 33 | 43 | 12 | 31 |
| Effect of remeasurement | — | 1 | (1) | — | — | — |
| Effect of curtailment | — | — | — | 3 | 1 | 2 |
| Foreign currency translation (losses) gains | (47) | (8) | (39) | 116 | 21 | 95 |
| Other | — | — | — | 1 | — | 1 |
| Pension/post-retirement plans gains (losses) | (5) | 2 | (7) | 163 | 34 | 129 |
| Other comprehensive income (loss) | $309 | $ 13 | $296 | $(171) | $ 33 | $(204) |

(a) Components of net periodic pension cost are included in compensation and benefits in the consolidated statements of income. Income tax credits on prior service losses and net actuarial losses are included in income tax expense.

| Six Months Ended June 30, | 2017 | | | 2016 | | |
|---|---|---|---|---|---|---|
| (In millions) | Pre-Tax | Tax (Credit) | Net of Tax | Pre-Tax | Tax (Credit) | Net of Tax |
| Foreign currency translation adjustments | $525 | $ 1 | $524 | $(321) | $ (1) | $(320) |
| Unrealized investment gains | 19 | 8 | 11 | — | — | — |
| Pension/post-retirement plans: | | | | | | |
| Amortization of losses included in net periodic pension cost: | | | | | | |
| Prior service cost (a) | — | — | — | 1 | — | 1 |
| Net actuarial losses (a) | 82 | 19 | 63 | 84 | 24 | 60 |
| Subtotal | 82 | 19 | 63 | 85 | 24 | 61 |
| Effect of remeasurement | 9 | 3 | 6 | (1) | — | (1) |
| Effect of curtailment | (1) | — | (1) | 3 | 1 | 2 |
| Effect of settlement | 1 | — | 1 | 1 | — | 1 |
| Foreign currency translation (losses) gains | (62) | (11) | (51) | 213 | 37 | 176 |
| Other | (1) | — | (1) | — | — | — |
| Pension/post-retirement plans gains | 28 | 11 | 17 | 301 | 62 | 239 |
| Other comprehensive income (loss) | $572 | $ 20 | $552 | $(20) | $ 61 | $(81) |

(a) Components of net periodic pension cost are included in compensation and benefits in the consolidated statements of income. Tax on prior service gains and net actuarial losses is included in income tax expense.

7. Acquisitions

The Company’s acquisitions have been accounted for as business combinations. Net assets and results of operations are included in the Company’s consolidated financial statements commencing at the respective purchase closing dates. In connection with acquisitions, the Company records the estimated value of the net tangible assets purchased and the value of the identifiable intangible assets purchased, which typically consist of purchased customer lists, developed technology, trademarks and non-compete agreements. The valuation of purchased intangible assets involves significant estimates and assumptions. Until final valuations are complete, any change in assumptions could affect the carrying value of tangible assets, goodwill and identifiable intangible assets.

The Risk and Insurance Services segment completed five acquisitions during the first six months of 2017.

- January – Marsh & McLennan Agency ("MMA") acquired J. Smith Lanier & Co. ("JSL"), a privately held insurance brokerage firm providing insurance, risk management, and employee benefits solutions to businesses and individuals throughout the U.S.
- February – MMA acquired iaConsulting Services, a Texas-based employee benefits consulting firm.
- March – MMA acquired Blakestad, Inc., a Minnesota-based private client and commercial lines insurance agency, and RJF Financial Services, a Minnesota-based retirement advisory firm.
- May – MMA acquired Insurance Partners of Texas, a Texas-based employee benefits consulting firm.

Total purchase consideration for acquisitions made during the six months ended June 30, 2017 was $510 million, which consisted of cash paid of $420 million and deferred purchase and estimated contingent consideration of $90 million. Contingent consideration arrangements are based primarily on earnings before interest, tax, depreciation and amortization ("EBITDA") or revenue targets over a period of two to four years. The fair value of the contingent consideration was based on projected revenue or EBITDA of the acquired entities. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. The Company also paid $37 million of deferred purchase consideration and $65 million of contingent consideration related to acquisitions made in prior years.

The following table presents the preliminary allocation of the acquisition cost to the assets acquired and liabilities assumed during 2017 based on their fair values:

| For the Six Months Ended June 30, 2017<br>(In millions) | |
|---|---|
| Cash | $420 |
| Estimated fair value of deferred/contingent consideration | 90 |
| Total Consideration | $510 |
| Allocation of purchase price: | |
| Cash and cash equivalents | $8 |
| Accounts receivable, net | 7 |
| Property, plant, and equipment | 3 |
| Other intangible assets | 196 |
| Goodwill | 370 |
| Total assets acquired | 584 |
| Current liabilities | 4 |
| Other liabilities | 70 |
| Total liabilities assumed | 74 |
| Net assets acquired | $510 |

The following chart provides information about other intangible assets acquired during 2017:

| | Amount | Weighted Average Amortization Period |
|---|---|---|
| Client relationships | $ 184 | 13 years |
| Other | 12 | 4 years |
| | $ 196 | |

Prior-Year Acquisitions

The Risk and Insurance Services segment completed nine acquisitions during 2016.

- February – MMA acquired The Celedinas Agency, Inc., a Florida-based brokerage firm, providing property, casualty and marine insurance, as well as employee benefits services, and Aviation Solutions, LLC, a Missouri-based aviation risk advisor and insurance broker.
- March – MMA acquired Corporate Consulting Services, Ltd., a New York-based insurance brokerage and human resource consulting firm.
- August – MMA acquired Benefits Advisory Group LLC, an Atlanta-based employee benefits consulting firm.
- September – MMA acquired Vero Insurance, Inc., a Florida-based agency specializing in private client insurance services.
- November – MMA acquired Benefits Resource Group Agency, LLC, an Ohio-based benefits consulting firm and Presidio Benefits Group, Inc., a California-based employee benefits consulting firm.
- December – Marsh acquired AD Corretora, a multi-line broker located in Brazil, and Bluefin Insurance Group, Ltd, a U.K.-based insurance brokerage.

The Consulting segment completed six acquisitions during 2016.

- January – Mercer acquired The Positive Ageing Company Limited, a U.K.-based firm providing advice on issues surrounding the aging workforce.
- April – Mercer acquired the Extratextual software system and related client contracts. Extratextual is a web based compliance system that assists clients to manage and meet their compliance and risk management obligations.
- December – Oliver Wyman acquired LShift Limited, a software development company, and Mercer acquired Sirota Consulting LLC, a global provider of employee benefit solutions; Pillar Administration, a superannuation provider located in Australia; and Thomsons Online Benefits, a U.K.-based global benefits software business.

Total purchase consideration for acquisitions made during the first six months of 2016 was $105 million, which consisted of cash paid of $79 million and deferred purchase and estimated contingent consideration of $26 million. Contingent consideration arrangements are primarily based on EBITDA or revenue targets over a period of two to four years. The fair value of the contingent consideration was based on projected revenue or earnings of the acquired entities. Estimated fair values of assets acquired and liabilities assumed are subject to adjustment when purchase accounting is finalized. In the first six months of 2016, the Company also paid $39 million of deferred purchase consideration and $50 million of contingent consideration related to acquisitions made in prior years.

Pro-Forma Information

The following unaudited pro-forma financial data gives effect to the acquisitions made by the Company during 2017 and 2016. In accordance with accounting guidance related to pro-forma disclosures, the information presented for current year acquisitions is as if they occurred on January 1, 2016 and reflects acquisitions made in 2016 as if they occurred on January 1, 2015. The unaudited pro-forma information adjusts for the effects of amortization of acquired intangibles. The unaudited pro-forma financial data is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved if such acquisitions had occurred on the dates indicated, nor is it necessarily indicative of future consolidated results.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In millions, except per share figures) | 2017 | 2016 | 2017 | 2016 |
| Revenue | $3,496 | $3,493 | $7,011 | $6,951 |
| Net income attributable to the Company | $502 | $470 | $1,072 | $950 |
| Basic net income per share attributable to the Company | $0.98 | $0.90 | $2.08 | $1.82 |
| Diluted net income per share attributable to the Company | $0.96 | $0.89 | $2.06 | $1.81 |

The consolidated statements of income include the results of operations of acquired companies since their respective acquisition dates. The consolidated statements of income for the three and six-month periods ended

June 30, 2017 include approximately $34 million and $63 million of revenue, respectively, and $5 million and $15 million of operating income, respectively, related to acquisitions made in 2017.

8. Goodwill and Other Intangibles

The Company is required to assess goodwill and any indefinite-lived intangible assets for impairment annually, or more frequently if circumstances indicate impairment may have occurred. The Company performs the annual impairment assessment for each of its reporting units during the third quarter of each year. In accordance with applicable accounting guidance, the Company assesses qualitative factors to determine whether it is necessary to perform the two-step goodwill impairment test. The Company considers numerous factors, which include whether the fair value of each reporting unit exceeded its carrying value by a substantial margin in its most recent estimate of reporting unit fair values, whether significant acquisitions or dispositions occurred which might alter the fair value of its reporting units, macroeconomic conditions and their potential impact on reporting unit fair values, actual performance compared with budget and prior projections used in its estimation of reporting unit fair values, industry and market conditions, and the year-over-year change in the Company's share price. The Company completed its qualitative assessment in the third quarter of 2016 and concluded that a two-step goodwill impairment test was not required in 2016 and that goodwill was not impaired.

Changes in the carrying amount of goodwill are as follows:

| June 30, (In millions) | 2017 | 2016 |
|---|---|---|
| Balance as of January 1, as reported | $8,369 | $7,889 |
| Goodwill acquired | 370 | 62 |
| Other adjustments[(a)] | 82 | (6) |
| Balance at June 30, | $8,821 | $7,945 |

[(a)] The increase in 2017 primarily reflects the impact of foreign exchange.

Goodwill allocable to the Company's reportable segments at June 30, 2017 is as follows: Risk and Insurance Services, $6.3 billion and Consulting, $2.5 billion.

Other intangible assets that are not deemed to have an indefinite life are amortized over their estimated lives and reviewed for impairment upon the occurrence of certain triggering events in accordance with applicable accounting literature.

The gross cost and accumulated amortization at June 30, 2017 and December 31, 2016 are as follows:

| | June 30, 2017 | | | December 31, 2016 | | |
|---|---|---|---|---|---|---|
| (In millions) | Gross Cost | Accumulated Amortization | Net Carrying Amount | Gross Cost | Accumulated Amortization | Net Carrying Amount |
| Client Relationships | $1,581 | $ 453 | $ 1,128 | $1,390 | $ 392 | $ 998 |
| Other [(a)] | 198 | 93 | 105 | 204 | 76 | 128 |
| Amortized intangibles | $1,779 | $ 546 | $ 1,233 | $1,594 | $ 468 | $ 1,126 |

[(a)] Primarily non-compete agreements, trade names and developed technology.

Aggregate amortization expense for the six months ended June 30, 2017 and 2016 was $80 million and $67 million, respectively. The estimated future aggregate amortization expense is as follows:

| For the Years Ending December 31, (In millions) | Estimated Expense |
|---|---|
| 2017 (excludes amortization through June 30, 2017) | $ 85 |
| 2018 | 158 |
| 2019 | 149 |
| 2020 | 127 |
| 2021 | 118 |
| Subsequent years | 596 |
| | $ 1,233 |

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9. Fair Value Measurements

Fair Value Hierarchy

The Company has categorized its assets and liabilities that are valued at fair value on a recurring basis into a three-level fair value hierarchy as defined by the Financial Accounting Standards Board ("FASB"). The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). In some cases, the inputs used to measure fair value might fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, for disclosure purposes, is determined based on the lowest level input that is significant to the fair value measurement. Assets and liabilities recorded in the consolidated balance sheets at fair value are categorized based on the inputs in the valuation techniques as follows:

Level 1. Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market (examples include active exchange-traded equity securities and exchange-traded money market mutual funds).

Assets and liabilities measured using Level 1 inputs include exchange-traded equity securities, exchange-traded mutual funds and money market funds.

Level 2. Assets and liabilities whose values are based on the following:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);

c) Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and

d) Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full asset or liability (for example, certain mortgage loans).

The Company does not have any assets or liabilities that are measured using Level 2 inputs.

Level 3. Assets and liabilities whose values are based on prices, or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Liabilities measured using Level 3 inputs include liabilities for contingent purchase consideration.

Valuation Techniques

Equity Securities, Money Market Funds and Mutual Funds – Level 1

Investments for which market quotations are readily available are valued at the sale price on their principal exchange or, for certain markets, official closing bid price. Money market funds are valued using a valuation technique that results in price per share at $1.00.

Contingent Purchase Consideration Liability – Level 3

Purchase consideration for some acquisitions made by the Company includes contingent consideration arrangements. These arrangements typically provide for the payment of additional consideration if earnings or revenue targets are met over periods from two to four years. The fair value of the contingent purchase consideration liability is estimated as the present value of future cash flows to be paid, based on projections of revenue and earnings and related targets of the acquired entities.

The following fair value hierarchy table presents information about the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016.

| | Identical Assets (Level 1) | | Observable Inputs (Level 2) | | Unobservable Inputs (Level 3) | | Total | |
|---|---|---|---|---|---|---|---|---|
| (In millions) | 06/30/17 | 12/31/16 | 06/30/17 | 12/31/16 | 06/30/17 | 12/31/16 | 06/30/17 | 12/31/16 |
| Assets: | | | | | | | | |
| Financial instruments owned: | | | | | | | | |
| Exchange traded equity securities[a] | $107 | $ 89 | $ — | $ — | $ — | $ — | $107 | $ 89 |
| Mutual funds[a] | 140 | 141 | — | — | — | — | 140 | 141 |
| Money market funds[b] | 36 | 22 | — | — | — | — | 36 | 22 |
| Total assets measured at fair value | $283 | $ 252 | $ — | $ — | $ — | $ — | $283 | $ 252 |
| Fiduciary Assets: | | | | | | | | |
| Money market funds | $82 | $ 90 | $ — | $ — | $ — | $ — | $82 | $ 90 |
| Total fiduciary assets measured at fair value | $82 | $ 90 | $ — | $ — | $ — | $ — | $82 | $ 90 |
| Liabilities: | | | | | | | | |
| Contingent purchase consideration liability[c] | $— | $ — | $ — | $ — | $ 203 | $ 241 | $203 | $ 241 |
| Total liabilities measured at fair value | $— | $ — | $ — | $ — | $ 203 | $ 241 | $203 | $ 241 |

[a] Included in other assets in the consolidated balance sheets.

[b] Included in cash and cash equivalents in the consolidated balance sheets.

[c] Included in accounts payable and accrued liabilities and other liabilities in the consolidated balance sheets.

During the six-month period ended June 30, 2017, there were no assets or liabilities that were transferred between any of the levels.

The table below sets forth a summary of the changes in fair value of the Company's Level 3 liabilities as of June 30, 2017 and 2016 that represent contingent consideration related to acquisitions:

| (In millions) | 2017 | 2016 |
|---|---|---|
| Balance at January 1, | $241 | $309 |
| Additions | 34 | 8 |
| Payments | (65) | (50) |
| Revaluation Impact | (8) | 18 |
| Other [a] | 1 | (6) |
| Balance at June 30, | $203 | $279 |

[a] Primarily reflects the impact of foreign exchange.

The fair value of the contingent purchase consideration liability is based on projections of revenue and EBITDA for the acquired entities in relation to the established targets and are reassessed on a quarterly basis. As set forth in the table above, based on the Company's ongoing assessment of the fair value of contingent consideration, the Company recorded a net decrease in the estimated fair value of such liabilities for prior-period acquisitions of $8 million in the six-month period ended June 30, 2017. A 5% increase in the above mentioned projections would increase the liability by approximately $19 million. A 5% decrease in the above mentioned projections would decrease the liability by approximately $22 million.

Long-Term Investments

The Company holds investments in certain private equity investments, public companies and private companies that are accounted for using the equity method of accounting. The carrying value of these investments was $416 million and $389 million at June 30, 2017 and December 31, 2016, respectively.

Private Equity Investments

The Company's investments in private equity investments were $76 million and $79 million at June 30, 2017 and December 31, 2016, respectively. The carrying values of these private equity investments approximate fair value. The underlying private equity funds follow investment company accounting, where investments within the fund are carried at fair value. The Company records in earnings, investment gains/losses for its proportionate share of the change in fair value of the funds. These investments are included in other assets in the consolidated balance sheets.

Investments in Public and Private Companies

Alexander Forbes: The Company owns approximately 33% of the common stock of Alexander Forbes, a South African company listed on the Johannesburg Stock Exchange, which it purchased in 2014 for 7.50 South African Rand per share. As of June 30, 2017, the carrying value of the Company’s investment in Alexander Forbes was approximately $275 million. As of June 30, 2017, the market value of the approximately 443 million shares of Alexander Forbes owned by the Company, based on the June 30, 2017 closing share price of 6.95 South African Rand per share, was approximately $237 million. During the first six months of 2017, the daily closing share price ranged between 5.99 Rand (in late April) and 7.95 Rand (in early January). During the month of June 2017, Alexander Forbes stock price ranged from 6.25 Rand on June 1 to a high of 7.31 Rand on June 23. The Company considered several factors related to its investment in Alexander Forbes, including its financial position, the near- and long-term prospects of Alexander Forbes and the broader South African economy and capital markets, the length of time and extent to which the market value was below cost and the Company’s intent and ability to retain the investment for a sufficient period of time to allow for anticipated recovery in market value. As a result, the Company determined the investment was not impaired.

The Company’s investment in Alexander Forbes and its other equity investments in private insurance and consulting companies are accounted for using the equity method of accounting, the results of which are included in revenue in the consolidated statements of income and the carrying value of which is included in other assets in the consolidated balance sheets. The Company records its share of income or loss on its equity method investments on a one quarter lag basis.

Benefitfocus: On February 24, 2015, the Company purchased shares of common stock of Benefitfocus (NASDAQ:BNFT) constituting 9.9% of BNFT's outstanding capital stock as of the acquisition date. The purchase price for the BNFT shares and certain other rights and other consideration was approximately $75 million. Until December 31, 2016, the Company accounted for this investment under the cost method of accounting as the shares purchased were categorized as restricted. Effective December 31, 2016, these shares were no longer considered restricted for the purpose of determining if they are marketable securities under applicable accounting guidance, and are now accounted for as available for sale securities and included in other assets in the consolidated balance sheets. The value of the BNFT shares based on the closing price on the NASDAQ as of June 30, 2017 was approximately $102 million. During the first six months of 2017 an unrealized gain related to these shares of approximately $19 million was recorded in other comprehensive income.

10. Retirement Benefits

The Company maintains qualified and non-qualified defined benefit pension plans for some of its U.S. and non-U.S. eligible employees. The Company’s policy for funding its tax-qualified defined benefit pension plans is to contribute amounts at least sufficient to meet the funding requirements set forth by U.S. law and the laws of the non-U.S. jurisdictions in which the Company offers such plans.

The target asset allocation for the Company's U.S. Plan was 64% equities and equity alternatives and 36% fixed income and at June 30, 2017, the actual allocation for the Company's U.S. Plan was 64% equities and equity alternatives and 36% fixed income. The target asset allocation for the Company's U.K. Plans, which comprise approximately 81% of non-U.S. plan assets at December 31, 2016, was 46% equities and equity alternatives and 54% fixed income. At June 30, 2017, the actual allocation for the U.K. Plans was 46% equities and equity alternatives and 54% fixed income. The assets of the Company's defined benefit plans are diversified and are managed in accordance with applicable laws and with the goal of maximizing the plans' real return within acceptable risk parameters. The Company generally uses threshold-based portfolio re-balancing to ensure the actual portfolio remains consistent with target asset allocation ranges.

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The components of the net periodic benefit cost for defined benefit and other post-retirement plans are as follows:

| Combined U.S. and significant non-U.S. plans | Pension | | Post-retirement | |
|---|---|---|---|---|
| For the Three Months Ended June 30, | Benefits | | Benefits | |
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Service cost | $19 | $46 | $ — | $ — |
| Interest cost | 124 | 138 | 1 | 1 |
| Expected return on plan assets | (230) | (242) | — | — |
| Amortization of prior service cost (credit) | (1) | (1) | — | 1 |
| Recognized actuarial loss | 43 | 42 | — | — |
| Net periodic benefit (credit) cost | $(45) | $(17) | $ 1 | $ 2 |
| Curtailment gain | — | (5) | — | — |
| Settlement loss | — | 1 | — | — |
| Total (credit) cost | $(45) | $(21) | $ 1 | $ 2 |

| Combined U.S. and significant non-U.S. plans | Pension | | Post-retirement | |
|---|---|---|---|---|
| For the Six Months Ended June 30, | Benefits | | Benefits | |
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Service cost | $37 | $90 | $ — | $ — |
| Interest cost | 246 | 275 | 2 | 3 |
| Expected return on plan assets | (454) | (483) | — | — |
| Amortization of prior service cost (credit) | (1) | (1) | 1 | 2 |
| Recognized actuarial loss (gain) | 83 | 84 | — | (1) |
| Net periodic benefit (credit) cost | $(89) | $(35) | $ 3 | $ 4 |
| Curtailment gain | (1) | (5) | — | — |
| Settlement loss | 1 | 1 | — | — |
| Total (credit) cost | $(89) | $(39) | $ 3 | $ 4 |

| U.S. Plans only | Pension | | Post-retirement | |
|---|---|---|---|---|
| For the Three Months Ended June 30, | Benefits | | Benefits | |
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Service cost | $— | $27 | $ — | $ — |
| Interest cost | 66 | 66 | 1 | — |
| Expected return on plan assets | (90) | (95) | — | — |
| Amortization of prior service cost | — | — | 1 | 1 |
| Recognized actuarial loss (gain) | 10 | 18 | (1) | — |
| Net periodic benefit (credit) cost | $(14) | $16 | $ 1 | $ 1 |

| U.S. Plans only | Pension | | Post-retirement | |
|---|---|---|---|---|
| For the Six Months Ended June 30, | Benefits | | Benefits | |
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Service cost | $— | $ 53 | $ — | $ — |
| Interest cost | 132 | 132 | 1 | 1 |
| Expected return on plan assets | (179) | (190) | — | — |
| Amortization of prior service cost | — | — | 2 | 2 |
| Recognized actuarial loss (gain) | 19 | 36 | (1) | (1) |
| Net periodic benefit (credit) cost | $(28) | $ 31 | $ 2 | $ 2 |

In October 2016, the Company modified its U.S. defined benefit pension plans to discontinue further benefit accruals for participants after December 31, 2016. At the same time, the Company amended its U.S. defined contribution retirement plans for most of its U.S. employees to add an automatic Company contribution equal to 4% of eligible base pay beginning on January 1, 2017. This new Company contribution, together with the Company's current matching contribution, provides eligible U.S. employees with the opportunity to receive a total contribution of up to 7% of eligible base pay. In addition, the U.S. qualified defined benefit plans were merged effective December 30, 2016.

| Significant non-U.S. plans only | Pension | | Post-retirement | |
|---|---|---|---|---|
| For the Three Months Ended June 30, | Benefits | | Benefits | |
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Service cost | $19 | $19 | $ — | $ — |
| Interest cost | 58 | 72 | — | 1 |
| Expected return on plan assets | (140) | (147) | — | — |
| Amortization of prior service credit | (1) | (1) | (1) | — |
| Recognized actuarial loss | 33 | 24 | 1 | — |
| Net periodic benefit (credit) cost | $(31) | $(33) | $ — | $ 1 |
| Curtailment gain | — | (5) | — | — |
| Settlement loss | — | 1 | — | — |
| Total (credit) cost | $(31) | $(37) | $ — | $ 1 |

| Significant non-U.S. plans only | Pension | | Post-retirement | |
|---|---|---|---|---|
| For the Six Months Ended June 30, | Benefits | | Benefits | |
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Service cost | $37 | $37 | $ — | $ — |
| Interest cost | 114 | 143 | 1 | 2 |
| Expected return on plan assets | (275) | (293) | — | — |
| Amortization of prior service credit | (1) | (1) | (1) | — |
| Recognized actuarial loss | 64 | 48 | 1 | — |
| Net periodic benefit (credit) cost | $(61) | $(66) | $ 1 | $ 2 |
| Curtailment gain | (1) | (5) | — | — |
| Settlement loss | 1 | 1 | — | — |
| Total (credit) cost | $(61) | $(70) | $ 1 | $ 2 |

In March 2017, the Company modified its defined benefit pension plans in Canada to discontinue further benefit accruals for participants after December 31, 2017 and replaced them with a defined contribution arrangement. The Company also amended its post-retirement benefits plan in Canada so that individuals who retire after April 1, 2019 will not be eligible to participate, except in certain situations. The Company re-measured the assets and liabilities of the plans, based on assumptions and market conditions on the amendment date.

The weighted average actuarial assumptions utilized to calculate the net periodic benefit costs for the U.S. and significant non-U.S. defined benefit plans are as follows:

| Combined U.S. and significant non-U.S. plans | Pension Benefits | | Post-retirement Benefits | |
|---|---|---|---|---|
| June 30, | 2017 | 2016 | 2017 | 2016 |
| Weighted average assumptions: | | | | |
| Expected return on plan assets | 6.64 % | 7.07 % | — | — |
| Discount rate | 3.40 % | 4.11 % | 3.64 % | 4.12 % |
| Rate of compensation increase* | 1.77 % | 2.44 % | — | — |

*The 2017 assumption does not include a rate of compensation increase for the U.S. defined benefit plans since future benefit accruals were discontinued for those plans after December 31, 2016.

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The Company made approximately $120 million of contributions to its U.S. and non-U.S. defined benefit plans in the first six months of 2017. The Company expects to contribute approximately $136 million to its U.S. pension and non-U.S. pension plans during the remainder of 2017.

Defined Contribution Plans

The Company maintains certain defined contribution plans for its employees, the most significant being in the U.S. and the U.K. The cost of these U.S. and U.K. defined contribution plans was $65 million and $38 million for the six months ended June 30, 2017 and 2016, respectively.

11. Debt

The Company's outstanding debt is as follows:

| (In millions) | June 30, 2017 | December 31, 2016 |
|---|---|---|
| Short-term: | | |
| Commercial paper | $ 150 | $ 50 |
| Current portion of long-term debt | 12 | 262 |
| | 162 | 312 |
| Long-term: | | |
| Senior notes – 2.30% due 2017 | — | 250 |
| Senior notes – 2.55% due 2018 | 249 | 249 |
| Senior notes – 2.35% due 2019 | 299 | 299 |
| Senior notes – 2.35% due 2020 | 498 | 497 |
| Senior notes – 4.80% due 2021 | 498 | 498 |
| Senior notes – 2.75% due 2022 | 496 | — |
| Senior notes – 3.30% due 2023 | 347 | 347 |
| Senior notes – 4.05% due 2023 | 248 | 248 |
| Senior notes – 3.50% due 2024 | 596 | 596 |
| Senior notes – 3.50% due 2025 | 496 | 495 |
| Senior notes – 3.75% due 2026 | 596 | 596 |
| Senior notes – 5.875% due 2033 | 297 | 297 |
| Senior notes – 4.35% due 2047 | 492 | — |
| Mortgage – 5.70% due 2035 | 376 | 382 |
| Other | 3 | 3 |
| | 5,491 | 4,757 |
| Less current portion | 12 | 262 |
| | $ 5,479 | $ 4,495 |

The senior notes in the table above are registered by the Company with the Securities and Exchange Commission and are not guaranteed.

The Company has established a short-term debt financing program of up to $1.5 billion through the issuance of commercial paper. The proceeds from the issuance of commercial paper are used for general corporate purposes. The Company had $150 million of commercial paper outstanding at June 30, 2017 at an effective interest rate of 1.45%.

In January 2017, the Company issued $500 million of 2.75% senior notes due 2022 and $500 million of 4.35% senior notes due 2047. The Company used the net proceeds for general corporate purposes, including the repayment of a $250 million debt maturity in April 2017.

In March 2016, the Company issued $350 million of 3.30% seven-year senior notes. The Company used the net proceeds for general corporate purposes.

The Company and certain of its foreign subsidiaries maintain a $1.5 billion multi-currency five-year unsecured revolving credit facility. The interest rate on this facility is based on LIBOR plus a fixed margin which varies with the Company's credit ratings. This facility expires in November 2020 and requires the Company to maintain certain

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coverage and leverage ratios which are tested quarterly. There were no borrowings outstanding under this facility at June 30, 2017.

Fair Value of Short-term and Long-term Debt

The estimated fair value of the Company's short-term and long-term debt is provided below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that the Company would realize upon disposition, nor do they indicate the Company's intent or need to dispose of the financial instrument.

| | June 30, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| (In millions) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Short-term debt | $162 | $162 | $312 | $313 |
| Long-term debt | $5,479 | $5,714 | $4,495 | $4,625 |

The fair value of the Company's short-term debt consists primarily of commercial paper and term debt maturing within the next year and its fair value approximates its carrying value. The estimated fair value of a primary portion of the Company's long-term debt is based on discounted future cash flows using current interest rates available for debt with similar terms and remaining maturities. Short- and long-term debt would be classified as Level 2 in the fair value hierarchy.

12. Restructuring Costs

The Company recorded total restructuring costs of $24 million in the first six months of 2017, primarily for severance at Mercer and future rent under non-cancelable leases. These costs were incurred in Risk and Insurance Services ($4 million), Consulting ($16 million) and Corporate ($4 million).

Details of the restructuring activity from January 1, 2016 through June 30, 2017, which includes liabilities from actions prior to 2017, are as follows:

| (In millions) | Liability at 1/1/16 | Amounts Accrued | Cash Paid | Other | Liability at 12/31/16 | Amounts Accrued | Cash Paid | Other | Liability at 6/30/17 |
|---|---|---|---|---|---|---|---|---|---|
| Severance | $ 15 | $ 40 | $(22) | $ (1) | $ 32 | $ 19 | $(30) | $ (2) | $ 19 |
| Future rent under non-cancelable leases and other costs | 78 | 4 | (17) | (4) | 61 | 5 | (9) | (2) | 55 |
| Total | $ 93 | $ 44 | $(39) | $ (5) | $ 93 | $ 24 | $(39) | $ (4) | $ 74 |

The expenses associated with the above initiatives are included in compensation and benefits and other operating expenses in the consolidated statements of income. The liabilities associated with these initiatives are classified on the consolidated balance sheets as accounts payable and accrued liabilities, other liabilities or accrued compensation and employee benefits, depending on the nature of the items.

13. Common Stock

During the first six months of 2017, the Company repurchased approximately 5.4 million shares of its common stock for consideration of $400 million. During the first six months of 2016, the Company repurchased approximately 7.0 million shares of its common stock for consideration of $425 million. In November 2016, the Board of Directors of the Company authorized the Company to repurchase up to $2.5 billion in shares of the Company's common stock, which superseded any prior authorizations. As of June 30, 2017, the Company remained authorized to repurchase up to approximately $2 billion in shares of its common stock. There is no time limit on the authorization.

The Company issued approximately 3.7 million and 4.1 million shares related to stock compensation and employee stock purchase plans during the first six months of 2017 and 2016, respectively.

14. Claims, Lawsuits and Other Contingencies

Litigation Matters

The Company and its subsidiaries are subject to a significant number of claims, lawsuits and proceedings in the ordinary course of business. Such claims and lawsuits consist principally of alleged errors and omissions in connection with the performance of professional services, including the placement of insurance, the provision of actuarial services for corporate and public sector clients, the provision of investment advice and investment management services to pension plans, the provision of advice relating to pension buy-out transactions and the provision of consulting services relating to the drafting and interpretation of trust deeds and other documentation governing pension plans. These claims typically seek damages, including punitive and treble damages, in amounts that could be significant. In establishing liabilities for errors and omissions claims in accordance with FASB ASC Subtopic No. 450-20 (Contingencies-Loss Contingencies), the Company uses case level reviews by inside and outside counsel, and internal actuarial analysis by Oliver Wyman Group, a subsidiary of the Company, and other methods to estimate potential losses. A liability is established when a loss is both probable and reasonably estimable. The liability is reviewed quarterly and adjusted as developments warrant. In many cases, the Company has not recorded a liability, other than for legal fees to defend the claim, because we are unable, at the present time, to make a determination that a loss is both probable and reasonably estimable.

To the extent that expected losses exceed our deductible in any policy year, the Company also records an asset for the amount that we expect to recover under any available third-party insurance programs. The Company has varying levels of third-party insurance coverage, with policy limits and coverage terms varying significantly by policy year.

Governmental Inquiries and Enforcement Matters

Our activities are regulated under the laws of the United States and its various states, the European Union and its member states, and the other jurisdictions in which the Company operates.

In April 2017, the Financial Conduct Authority in the United Kingdom (the "FCA") commenced a civil competition investigation into the aviation insurance and reinsurance sector. In connection with that investigation, the FCA carried out an on-site inspection at the London office of Marsh Limited, our Marsh and Guy Carpenter operating subsidiary in the United Kingdom. The FCA indicated that it had reasonable grounds for suspecting that Marsh Limited and other participants in the market have been sharing competitively sensitive information within the aviation insurance and reinsurance broking sector.

In July 2017, the Directorate-General for Competition of the European Commission and the Irish Competition and Consumer Protection Commission conducted on-site inspections at the offices of Marsh and other brokers in Dublin in connection with an investigation into potential anti-competitive practices in the commercial motor insurance market in the Republic of Ireland.

We are cooperating fully with these investigations and are conducting our own reviews. As these investigations are at early stages, we are unable to predict their likely timing, outcome or ultimate impact. There can be no assurance that the ultimate resolution of these or any related matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

In June 2017, the FCA issued a final report in connection with a market study of the U.K. asset management industry, which includes asset managers and investment consultants, including Mercer. In its report, the FCA indicated it would likely make a market investigation referral with respect to the investment consulting industry to the U.K. Competition & Markets Authority (the "CMA"). The FCA expects to announce a final decision regarding its referral to the CMA in September 2017.

In the ordinary course of business, the Company is also subject to other investigations, subpoenas, lawsuits and other regulatory actions undertaken by governmental authorities.

Other Contingencies-Guarantees

In connection with its acquisition of U.K.-based Sedgwick Group in 1998, the Company acquired several insurance underwriting businesses that were already in run-off, including River Thames Insurance Company Limited ("River Thames"), which the Company sold in 2001. Sedgwick guaranteed payment of claims on certain policies underwritten through the Institute of London Underwriters (the "ILU") by River Thames. The policies covered by this guarantee were reinsured up to £40 million by a related party of River Thames. Payment of claims under the reinsurance

agreement is collateralized by segregated assets held in a trust. As of June 30, 2017, the reinsurance coverage exceeded the best estimate of the projected liability of the policies covered by the guarantee. To the

extent River Thames or the reinsurer is unable to meet its obligations under those policies, a claimant may seek to recover from the Company under the guarantee.

From 1980 to 1983, the Company owned indirectly the English & American Insurance Company ("E&A"), which was a member of the ILU. The ILU required the Company to guarantee a portion of E&A's obligations. After E&A became insolvent in 1993, the ILU agreed to discharge the guarantee in exchange for the Company's agreement to post an evergreen letter of credit that is available to pay claims by policyholders on certain E&A policies issued through the ILU and incepting between July 3, 1980 and October 6, 1983. Certain claims have been paid under the letter of credit and the Company anticipates that additional claimants may seek to recover against the letter of credit.

* * * *

The pending proceedings described above and other matters not explicitly described in this Note 14 on Claims, Lawsuits and Other Contingencies may expose the Company or its subsidiaries to liability for significant monetary damages, fines, penalties or other forms of relief. Where a loss is both probable and reasonably estimable, the Company establishes liabilities in accordance with FASB ASC Subtopic No. 450-20 (Contingencies - Loss Contingencies). Except as described above, the Company is not able at this time to provide a reasonable estimate of the range of possible loss attributable to these matters or the impact they may have on the Company's consolidated results of operations, financial position or cash flows. This is primarily because these matters are still developing and involve complex issues subject to inherent uncertainty. Adverse determinations in one or more of these matters could have a material impact on the Company's consolidated results of operations, financial condition or cash flows in a future period.

15. Segment Information

The Company is organized based on the types of services provided. Under this structure, the Company's segments are: Risk and Insurance Services, comprising insurance services (Marsh) and reinsurance services (Guy Carpenter); and Consulting, comprising Mercer and Oliver Wyman Group.

The accounting policies of the segments are the same as those used for the consolidated financial statements described in Note 1 to the Company's 2016 Form 10-K. Segment performance is evaluated based on segment operating income, which includes directly related expenses, and charges or credits related to integration and restructuring but not the Company's corporate-level expenses. Revenues are attributed to geographic areas on the basis of where the services are performed.

Selected information about the Company's operating segments for the three and six-month periods ended June 30, 2017 and 2016 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In millions) | Revenue | Operating Income (Loss) | Revenue | Operating Income (Loss) |
| 2017– | | | | |
| Risk and Insurance Services | $1,916 [a] | $ 528 | $3,905 [c] | $ 1,141 |
| Consulting | 1,592 [b] | 283 | 3,118 [d] | 524 |
| Total Operating Segments | 3,508 | 811 | 7,023 | 1,665 |
| Corporate / Eliminations | (13) | (47) | (25) | (92) |
| Total Consolidated | $3,495 | $ 764 | $6,998 | $ 1,573 |
| 2016– | | | | |
| Risk and Insurance Services | $1,850 [a] | $ 490 | $3,718 [c] | $ 1,025 |
| Consulting | 1,539 [b] | 285 | 3,017 [d] | 530 |
| Total Operating Segments | 3,389 | 775 | 6,735 | 1,555 |
| Corporate / Eliminations | (13) | (49) | (23) | (96) |
| Total Consolidated | $3,376 | $ 726 | $6,712 | $ 1,459 |

[a] Includes inter-segment revenue of $4 million and $3 million in 2017 and 2016, respectively, interest income on fiduciary funds of $9 million and $6 million in 2017 and 2016, respectively, and equity method income of $7 million and $6 million in 2017 and 2016, respectively.

[b] Includes inter-segment revenue of $9 million and $10 million in 2017 and 2016, respectively, interest income on fiduciary funds of less than $1 million in both 2017 and 2016, and equity method income of $5 million in both 2017 and 2016.

[c] Includes inter-segment revenue of $4 million in both 2017 and 2016, interest income on fiduciary funds of $17 million and $12 million in 2017 and 2016, respectively, and equity method income of $9 million and $7 million in 2017 and 2016, respectively.

[d] Includes inter-segment revenue of $21 million and $19 million in 2017 and 2016, respectively, interest income on fiduciary funds of $1 million in both 2017 and 2016, and equity method income of $9 million in both 2017 and 2016.

Details of operating segment revenue for the three and six month period ended June 30, 2017 and 2016 are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Risk and Insurance Services | | | | |
| Marsh | $1,621 | $1,564 | $3,223 | $3,057 |
| Guy Carpenter | 295 | 286 | 682 | 661 |
| Total Risk and Insurance Services | 1,916 | 1,850 | 3,905 | 3,718 |
| Consulting | | | | |
| Mercer | 1,109 | 1,079 | 2,186 | 2,118 |
| Oliver Wyman Group | 483 | 460 | 932 | 899 |
| Total Consulting | 1,592 | 1,539 | 3,118 | 3,017 |
| Total Operating Segments | 3,508 | 3,389 | 7,023 | 6,735 |
| Corporate / Eliminations | (13) | (13) | (25) | (23) |
| Total | $3,495 | $3,376 | $6,998 | $6,712 |

16. New Accounting Guidance

In March 2017, the FASB issued new guidance that changes the presentation of net periodic pension cost and net periodic postretirement cost ("net periodic benefit costs"). The new guidance requires employers to report the service cost component of net periodic benefit costs in the same line item as other compensation costs in the income statement. The other components of net periodic benefit costs are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. In addition, only the service cost component is eligible for capitalization, when applicable. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted as of the beginning of an annual period for which financial statements (interim or annual) have not been issued or made available for issuance. The new guidance requires retrospective application for the presentation of the service cost component and the other components of net periodic benefit costs, and prospective application for the capitalization of the service cost component. The adoption of this guidance will impact the presentation of the Company's results of operations, in particular, reducing net operating income, but will have no impact on the Company's net income.

In January 2017, the FASB issued new guidance to simplify the test for goodwill impairment. The new guidance eliminates the second step in the current two-step goodwill impairment process, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill for that reporting unit. The new guidance requires a one-step impairment test, in which the goodwill impairment charge is based on the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The guidance should be applied on a prospective basis with the nature of and reason for the change in accounting principle disclosed upon transition. The guidance is effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on the Company's financial position or results of operations.

In January 2017, the FASB issued guidance which clarifies the definition of a business in order to assist companies with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted under certain circumstances and the guidance must be applied prospectively as of the beginning of the period of adoption. The Company is currently evaluating the impact, if any, the adoption of this standard will have on its financial position or results of operations.

In November 2016, the FASB issued new guidance which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-

of-period total amounts shown on the statement of cash flows. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The guidance must be applied retrospectively to all periods presented. Early adoption is permitted. The adoption of this guidance is not expected to have an impact on the Company's consolidated balance sheets or consolidated statements of cash flows.

In October 2016, the FASB also issued new guidance which requires an entity to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new guidance eliminates the exception for an intra-entity transfer of an asset other than inventory. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The new guidance must be applied on a modified retrospective basis through a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is currently evaluating the impact the adoption of this standard will have on its financial position and results of operations.

In August 2016, the FASB issued new guidance which adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows, including cash payments for debt prepayments or debt extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investees. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The guidance must be applied retrospectively to all periods presented unless retrospective application is impracticable. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its statement of cash flows.

In February 2016, the FASB issued new guidance intended to improve financial reporting for leases. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a financing or operating lease. However, unlike current GAAP, which requires that only capital leases be recognized on the balance sheet, the new guidance requires that both types of leases be recognized on the balance sheet. The new guidance will require additional disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, and additional information about the amounts recorded in the financial statements. The accounting by organizations that own the assets ("lessor") leased by the lessee will remain largely unchanged from current GAAP. However, the guidance contains some targeted improvements that are intended to align, where necessary, lessor accounting with the lessee accounting model and with the updated revenue recognition guidance issued in 2014. The new guidance on leases will take effect for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early application will be permitted. The Company is currently evaluating the impact the adoption of the guidance will have on its financial position and results of operations, but expects material "right to use" assets and lease liabilities to be recorded on its consolidated balance sheets.

In January 2016, the FASB issued new guidance intended to improve the recognition and measurement of financial instruments. The new guidance requires equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income; requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements; eliminates the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet; and requires a reporting organization to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk (also referred to as "own credit") when the organization has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The new guidance is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within

those fiscal years. The Company is currently evaluating the impact of the adoption of the guidance on its financial position and results of operations.

New Revenue Recognition Pronouncement

In May 2014, the FASB issued new accounting guidance to clarify the principles for revenue recognition. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in

exchange for those goods or services. To achieve that principle, the entity should apply the following steps: identify the contract(s) with the customer, identify the performance obligations in the contract(s), determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. Entities are permitted to adopt the guidance under one of the following methods: the "full retrospective" method, which applies the guidance to each period presented (prior years restated) or the "modified retrospective" method in which the guidance is only applied to the year of adoption, with the cumulative effect of initially applying the guidance recognized as an adjustment to retained earnings. The Company will adopt the new guidance effective January 1, 2018. The Company is evaluating the transition method it will use, but currently expects to use the modified retrospective method.

The Company continues to evaluate the impact of the new standard. Based on the results of our reviews to date, the Company expects there will be significant movement in the quarterly timing of revenue recognition in the Risk and Insurance Services segment. In particular, in the Company’s reinsurance broking operations recognition of revenue will be accelerated under the new standard. Currently, revenue related to certain reinsurance placements is recognized on the later of billing or effective date as premiums are written and attached to the reinsurance treaties. This typically results in revenue being recognized over a 12 to 24 month period. Under the new guidance, revenue will be recognized largely at the policy effective date, subject to the constraint as defined in the guidance. In the insurance brokerage operations, revenue from commission based arrangements will continue to be recorded at the policy effective date, while the timing of revenue recognition for certain fee based arrangements will shift among quarters. Since the vast majority of our fee arrangements involve contracts that cover a single year of services, the Company does not believe there will be a significant change to the amount of revenue recognized in an annual period once the standard is adopted. The Company is currently evaluating, designing and implementing changes in processes, controls and systems necessary to support the new revenue recognition requirements.

The Company's initial review and preliminary conclusions for the Consulting segment indicate the application of the new standard will not materially change the existing timing of revenue recognition in quarterly or annual periods. The conclusions will be completed following a final review of customer arrangement legal terms and conditions in certain non-U.S. locations.

The Company expects that certain costs that are currently expensed will be capitalized as costs to obtain or costs to fulfill customer contracts under guidance issued as part of the revenue recognition standard. Costs to obtain a contract, generally, would be amortized over the expected life of the underlying customer relationship. However, in many cases, costs to obtain a contract renewal are commensurate with the costs to obtain the initial contract. Those costs would have an amortization period of less than one year, and the Company would expect to use the practical expedient available in the standard and expense such costs as incurred. Any capitalized costs to fulfill a contract would be amortized on a basis consistent with the transfer of services to which they relate. Such expenses related to Risk and Insurance Services would generally be "amortized" over a period of one year or less. The Company is continuing to quantify the amount of such costs that must be deferred. In the Consulting segment, certain implementation expenses that are currently deferred may have a longer amortization period to reflect the amortization over the expected life of the contract including anticipated renewal periods.

The Company has not yet fully quantified the impact of the changes discussed above. However, the Company expects that it will recognize a significant amount of contract assets and/or receivables upon implementation of the standard, related to both the contract assets for capitalized costs to obtain and fulfill contracts, as well as commissions receivable related to reinsurance brokerage activity.

New Accounting Pronouncements Recently Adopted

In October 2016, the FASB issued new guidance which changes the evaluation of whether a reporting entity is the primary beneficiary of a variable interest entity by changing how a reporting entity that is a single decision maker of a variable interest entity treats indirect interests in the entity held through related parties that are under common control with the reporting entity. If a reporting entity satisfies the first characteristic of a primary beneficiary (such that it is the single decision maker of a variable interest entity), the new guidance requires that reporting entity, in determining whether it satisfies the second characteristic of a primary beneficiary, to include all of its direct variable interest in a variable interest entity and, on a proportionate basis, its indirect variable interests in a variable interest entity held

through related parties, including related parties that are under common control with the reporting entity. The adoption of this guidance did not have a significant impact on its financial position, results of operations and statement of cash flows.

In April 2016, the FASB issued new guidance which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures and statutory tax withholding requirements, as well as classification in the statement of cash flows. The new guidance requires that companies record all excess tax benefits and tax deficiencies as an income tax benefit or expense in the income statement and classify excess tax benefits as an operating activity in the statement of cash flows. The Company adopted this new guidance prospectively, effective January 1, 2017 and prior periods have not been adjusted. For the six months ended June 30, 2017, the adoption of this new standard reduced income tax expense in the consolidated statement of income by approximately $48 million. For the six months ended June 30, 2016, the Company recorded an excess tax benefit of $24 million as an increase to equity in its consolidated balance sheet, which was reflected as cash provided by financing activities in the consolidated statement of cash flows.

In March 2016, the FASB issued new guidance which eliminates the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting. Therefore, upon qualifying for the equity method of accounting, no retroactive adjustment of the investment is required. The amendments require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. The new guidance is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. The guidance was adopted on January 1, 2017 and did not have an impact on the Company's financial position or results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

Marsh & McLennan Companies, Inc. and its consolidated subsidiaries (the "Company") is a global professional services firm offering clients advice and solutions in risk, strategy and people. It is the parent company of a number of leading risk advisors and specialty consultants, including: Marsh, the insurance broker, intermediary and risk advisor; Guy Carpenter, the risk and reinsurance specialist; Mercer, the provider of HR and Investment related financial advice and services; and Oliver Wyman Group, the management, economic and brand consultancy. With more than 60,000 employees worldwide and annual revenue of more than $13 billion, the Company provides analysis, advice and transactional capabilities to clients in more than 130 countries.

The Company operates through two segments:

- Risk and Insurance Services includes risk management activities (risk advice, risk transfer and risk control and mitigation solutions) as well as insurance and reinsurance broking and services. The Company conducts business in this segment through Marsh and Guy Carpenter.
- Consulting includes wealth, health and career consulting services and products, and specialized management, economic and brand consulting services. The Company conducts business in this segment through Mercer and Oliver Wyman Group.

Effective January 1, 2017, Mercer established a Wealth business reflecting a unified client strategy for its former Retirement and Investments businesses. Wealth is comprised of two practices, Defined Benefit Consulting & Administration (DBA), and Investment Management & Related Services (IMS). DBA encompasses mature businesses primarily in defined benefit and actuarial consulting, along with defined benefit administration. IMS includes businesses primarily in delegated solutions, defined contribution related investment services, and financial wellness. Among the changes, defined benefit investment consulting, previously reported in the Investments business, is now included in Defined Benefit Consulting & Administration. Revenue information is reported for these two practices to provide investors better insight into the underlying growth dynamics within Wealth. This change has no impact on previously reported Mercer total revenue, Consulting segment revenue or operating income, or consolidated revenue or financial results.

A reconciliation of segment operating income to total operating income is included in Note 15 to the consolidated financial statements included in Part I Item 1 in this report. The accounting policies used for each segment are the same as those used for the consolidated financial statements.

Consolidated Results of Operations

| (In millions, except per share figures) | Three Months Ended June 30, 2017 | 2016 | Six Months Ended June 30, 2017 | 2016 |
|---|---|---|---|---|
| Revenue | $3,495 | $3,376 | $6,998 | $6,712 |
| Expense: | | | | |
| Compensation and Benefits | 1,935 | 1,872 | 3,880 | 3,726 |
| Other Operating Expenses | 796 | 778 | 1,545 | 1,527 |
| Operating Expenses | 2,731 | 2,650 | 5,425 | 5,253 |
| Operating Income | 764 | 726 | 1,573 | 1,459 |
| Net income before non-controlling interests | 507 | 480 | 1,085 | 970 |
| Net Income Attributable to the Company | $501 | $472 | $1,070 | $953 |
| Net Income Per Share Attributable to the Company: | | | | |
| Basic | $0.98 | $0.91 | $2.08 | $1.83 |
| Diluted | $0.96 | $0.90 | $2.05 | $1.81 |
| Average Number of Shares Outstanding: | | | | |
| Basic | 514 | 521 | 514 | 521 |
| Diluted | 520 | 525 | 521 | 526 |
| Shares Outstanding at June 30 | 513 | 519 | 513 | 519 |

The Company's consolidated operating income of $764 million in the second quarter of 2017 increased 5% compared to the prior year. This reflects the impact of a 4% increase in revenue and a 3% increase in expense. Revenue increased 4% in Risk and Insurance Services and 3% in Consulting as compared to the second quarter of last year.

Net income before non-controlling interests increased 6% to $507 million due to the increase in operating income, partially offset by higher interest expense. Diluted net income per share attributable to the Company increased 7% to $0.96, compared to $0.90 last year, reflecting a $29 million increase in net income as well as a 1% decrease in the average number of diluted shares outstanding as compared to the same period last year. The number of shares issued related to the vesting of share awards and exercise of employee stock options was more than offset by shares repurchased over the past four quarters. In addition, in accordance with the change in accounting for stock compensation, the excess tax benefits for unvested shares and unexercised stock options are no longer included in the calculation of common stock equivalents ("CSEs") under the Treasury stock method. This had the effect of increasing CSEs by approximately 1.6 million shares.

Consolidated operating income was approximately $1.6 billion in the first six months of 2017, an increase of 8% compared with the first six months of 2016, reflecting 4% growth in revenue and 3% growth in expenses.

Net income attributable to the Company increased 12% reflecting the increase in operating income as well as the impact of a credit to income tax expense related to the required change in accounting for share based awards, partially offset by higher interest expense. Diluted net income per share attributable to the Company increased 13% to $2.05 compared to $1.81 in 2016, reflecting a $117 million increase in net income attributable to the Company as well as a 1% decrease in the average number of diluted shares outstanding. The number of shares issued related to the vesting of share awards and exercise of employee stock options was more than offset by shares repurchased over the past four quarters. In addition, in accordance with the change in accounting for stock compensation discussed above, CSEs increased by approximately 1.7 million shares.

Consolidated Revenue and Expense

Revenue - Components of Change

The Company conducts business in more than 130 countries. As a result, foreign exchange rate movements may impact period-to-period comparisons of revenue. Similarly, certain other items such as the revenue impact of acquisitions and dispositions, including transfers among businesses, may impact period-to-period comparisons of revenue. Underlying revenue measures the change in revenue from one period to another by isolating these impacts. The impact of foreign currency exchange fluctuations, acquisitions and dispositions, including transfers among businesses, on the Company's operating revenues by segment was as follows:

| | Three Months Ended June 30, | | % Change GAAP Revenue | Components of Revenue Change* | | |
|---|---|---|---|---|---|---|
| (In millions) | 2017 | 2016 | | Currency Impact | Acquisitions/ Dispositions Impact | Underlying Revenue |
| Risk and Insurance Services | | | | | | |
| Marsh | $1,614 | $1,559 | 4 % | (1)% | 4 % | 2 % |
| Guy Carpenter | 293 | 285 | 3 % | (1)% | — | 4 % |
| Subtotal | 1,907 | 1,844 | 3 % | (1)% | 3 % | 2 % |
| Fiduciary Interest Income | 9 | 6 | | | | |
| Total Risk and Insurance Services | 1,916 | 1,850 | 4 % | (1)% | 3 % | 2 % |
| Consulting | | | | | | |
| Mercer | 1,109 | 1,079 | 3 % | (2)% | 2 % | 3 % |
| Oliver Wyman Group | 483 | 460 | 5 % | (2)% | — | 7 % |
| Total Consulting | 1,592 | 1,539 | 3 % | (2)% | 2 % | 4 % |
| Corporate / Eliminations | (13) | (13) | | | | |
| Total Revenue | $3,495 | $3,376 | 4 % | (2)% | 2 % | 3 % |

| | Three Months Ended June 30, | | % Change GAAP Revenue | Components of Revenue Change* | | |
|---|---|---|---|---|---|---|
| (In millions) | 2017 | 2016 | | Currency Impact | Acquisitions/ Dispositions Impact | Underlying Revenue |
| Marsh: | | | | | | |
| EMEA | $497 | $479 | 4 % | (4)% | 7 % | — |
| Asia Pacific | 168 | 183 | (8)% | — | (11)% | 3 % |
| Latin America | 99 | 93 | 6 % | (2)% | 3 % | 4 % |
| Total International | 764 | 755 | 1 % | (3)% | 2 % | 1 % |
| U.S. / Canada | 850 | 804 | 6 % | — | 5 % | 2 % |
| Total Marsh | $1,614 | $1,559 | 4 % | (1)% | 4 % | 2 % |
| Mercer: | | | | | | |
| Defined Benefit Consulting & Administration | $340 | $371 | (8)% | (4)% | (1)% | (3)% |
| Investment Management & Related Services | 192 | 153 | 26 % | (1)% | 15 % | 11 % |
| Total Wealth | 532 | 524 | 2 % | (3)% | 3 % | 1 % |
| Health | 423 | 410 | 3 % | (1)% | 1 % | 3 % |
| Career | 154 | 145 | 6 % | (2)% | 2 % | 5 % |
| Total Mercer | $1,109 | $1,079 | 3 % | (2)% | 2 % | 3 % |

Underlying revenue measures the change in revenue using consistent currency exchange rates, excluding the impact of certain items that affect comparability, such as: acquisitions, dispositions and transfers among businesses and the deconsolidation of Marsh India.

*Components of revenue change may not add due to rounding.

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| (In millions) | Six Months Ended June 30, 2017 | 2016 | % Change GAAP Revenue | Components of Revenue Change* Currency Impact | Acquisitions/ Dispositions Impact | Underlying Revenue |
|---|---|---|---|---|---|---|
| Risk and Insurance Services | | | | | | |
| Marsh | $3,210 | $3,047 | 5 % | (1)% | 4 % | 3 % |
| Guy Carpenter | 678 | 659 | 3 % | (1)% | — | 4 % |
| Subtotal | 3,888 | 3,706 | 5 % | (1)% | 3 % | 3 % |
| Fiduciary Interest Income | 17 | 12 | | | | |
| Total Risk and Insurance Services | 3,905 | 3,718 | 5 % | (1)% | 3 % | 3 % |
| Consulting | | | | | | |
| Mercer | 2,186 | 2,118 | 3 % | (2)% | 2 % | 3 % |
| Oliver Wyman Group | 932 | 899 | 4 % | (2)% | — | 6 % |
| Total Consulting | 3,118 | 3,017 | 3 % | (2)% | 2 % | 4 % |
| Corporate / Eliminations | (25) | (23) | | | | |
| Total Revenue | $6,998 | $6,712 | 4 % | (2)% | 2 % | 3 % |

| (In millions) | Six Months Ended June 30, 2017 | 2016 | % Change GAAP Revenue | Components of Revenue Change* Currency Impact | Acquisitions/ Dispositions Impact | Underlying Revenue |
|---|---|---|---|---|---|---|
| Marsh: | | | | | | |
| EMEA | $1,086 | $1,049 | 4 % | (4)% | 6 % | 2 % |
| Asia Pacific | 320 | 329 | (3)% | — | (10)% | 7 % |
| Latin America | 179 | 164 | 9 % | — | 4 % | 5 % |
| Total International | 1,585 | 1,542 | 3 % | (3)% | 2 % | 3 % |
| U.S. / Canada | 1,625 | 1,505 | 8 % | — | 5 % | 3 % |
| Total Marsh | $3,210 | $3,047 | 5 % | (1)% | 4 % | 3 % |
| Mercer: | | | | | | |
| Defined Benefit Consulting & Administration | $674 | $732 | (8)% | (4)% | (3)% | (2)% |
| Investment Management & Related Services | 378 | 300 | 26 % | — | 15 % | 10 % |
| Total Wealth | 1,052 | 1,032 | 2 % | (3)% | 3 % | 2 % |
| Health | 838 | 810 | 3 % | (1)% | 2 % | 3 % |
| Career | 296 | 276 | 7 % | (1)% | 3 % | 6 % |
| Total Mercer | $2,186 | $2,118 | 3 % | (2)% | 2 % | 3 % |

Underlying revenue measures the change in revenue using consistent currency exchange rates, excluding the impact of certain items that affect comparability, such as: acquisitions, dispositions and transfers among businesses and the deconsolidation of Marsh India.

*Components of revenue change may not add due to rounding.

Revenue

Consolidated revenue for the second quarter of 2017 was $3.5 billion, an increase of 4%, or 3% on an underlying basis. An increase of 2% from the impact of acquisitions was offset by a decrease of 2% from the impact of foreign currency translation.

Revenue in the Risk and Insurance Services segment for the second quarter of 2017 was $1.9 billion, an increase of 4% from the same period last year and 2% on an underlying basis. Consulting revenue of $1.6 billion in the second quarter of 2017 increased 3%, or 4% on an underlying basis.

For the first six months of 2017, consolidated revenue increased 4% on a reported basis and 3% on an underlying basis. Risk and Insurance Services revenue increased 5% from the same period in 2016, or 3% on an underlying

basis. Consulting revenue increased 3% compared with the six-month period last year, or 4% on an underlying basis.

Operating Expense

Consolidated operating expense in the second quarter increased 3% compared with the same period last year, reflecting a 2% increase on an underlying basis and a 3% increase from acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. The increase in underlying expenses is primarily due to higher base salaries, incentive compensation and severance related costs, partly offset by lower costs related to liabilities for errors and omissions.

Expenses for the six months of 2017 increased 3% compared to the same period in 2016, reflecting a 2% increase on an underlying basis and a 3% increase from acquisitions, offset by a 2% decrease from the impact of foreign currency translation. The increase in underlying expenses is due primarily to higher base salaries, incentive compensation and severance related costs, partly offset by decreases in contingent consideration related to acquisitions and lower costs related to liabilities for errors and omissions.

Risk and Insurance Services

The results of operations for the Risk and Insurance Services segment are presented below:

| For the Three and Six Months Ended June 30, | Three Months | | Six Months | |
|---|---|---|---|---|
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Revenue | $1,916 | $1,850 | $3,905 | $3,718 |
| Compensation and Benefits | 968 | 934 | 1,948 | 1,855 |
| Other Expenses | 420 | 426 | 816 | 838 |
| Expense | 1,388 | 1,360 | 2,764 | 2,693 |
| Operating Income | $528 | $490 | $1,141 | $1,025 |
| Operating Income Margin | 27.5 % | 26.6 % | 29.2 % | 27.6 % |

Revenue

Revenue in the Risk and Insurance Services segment in the second quarter of 2017 was $1.9 billion, an increase of 4% as compared to the same period last year, reflecting a 2% increase in underlying revenue and a 3% increase related to acquisitions, partially offset by a 1% decrease from the impact of foreign currency translation.

In Marsh, revenue in the second quarter of 2017 was $1.6 billion, an increase of 4% compared with the same quarter of the prior year, reflecting an increase in underlying revenue of 2% and a 4% increase from acquisitions, offset by a 1% decrease from the impact of foreign currency translation. Revenue in international operations grew 1% on an underlying basis, with growth of 3% in Asia Pacific and 4% in Latin America, while growth in EMEA was flat. In U.S./Canada, underlying revenue increased 2% compared to prior year. Guy Carpenter's second quarter revenue increased 3%, reflecting an increase of 4% on an underlying basis partly offset by a 1% decrease from the impact of foreign currency translation.

Revenue in the Risk and Insurance Services segment increased 5% in the first six months of 2017 compared with 2016, or 3% on an underlying basis. In Marsh, underlying revenue increased 3% in U.S./Canada. The international division increased 3% on an underlying basis, reflecting a 2% increase in EMEA, a 7% increase in Asia Pacific and a 5% increase in Latin America.

Expense

Expenses in the Risk and Insurance Services segment increased 2% in the second quarter of 2017 compared with the same period last year, reflecting increases of 4% related to acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. Expenses were flat on an underlying basis as higher base salaries and incentive compensation costs were offset by decreases in contingent consideration related to acquisitions and lower costs related to liabilities for errors and omissions.

Expenses for the six month period of 2017 increased 3% compared to the prior year, reflecting increases of 1% in underlying expenses and 4% related to acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. The underlying expense increase is primarily due to higher base salaries, incentive compensation and amortization of intangible assets, partly offset by lower contingent consideration related to acquisitions and lower costs related to liabilities for errors and omissions.

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Consulting

The results of operations for the Consulting segment are presented below:

| For the Three and Six Months Ended June 30, | Three Months | | Six Months | |
|---|---|---|---|---|
| (In millions) | 2017 | 2016 | 2017 | 2016 |
| Revenue | $1,592 | $1,539 | $3,118 | $3,017 |
| Compensation and Benefits | 883 | 852 | 1,758 | 1,699 |
| Other Expenses | 426 | 402 | 836 | 788 |
| Expense | 1,309 | 1,254 | 2,594 | 2,487 |
| Operating Income | $283 | $285 | $524 | $530 |
| Operating Income Margin | 17.8 % | 18.5 % | 16.8 % | 17.6 % |

Revenue

Revenue in the Consulting segment in the second quarter of 2017 was $1.6 billion, an increase of 3% compared to the same period last year, reflecting a 4% increase in underlying revenue and a 2% increase related to acquisitions, partially offset by a 2% decrease from the impact of foreign currency translation.

Effective January 1, 2017, Mercer established a Wealth business reflecting a unified client strategy for its former Retirement and Investments businesses.

Mercer's revenue of approximately $1.1 billion increased 3% compared to the prior year on both a reported and underlying basis. On an underlying basis, revenue in Wealth increased 1%, Health increased 3%, and Career increased 5%. Within Wealth, Investment Management & Related Services increased 11% and Defined Benefit Consulting & Administration decreased 3% compared to the same period last year. Oliver Wyman's revenue increased 5% to $483 million in the second quarter of 2017 compared to the same period last year, reflecting a 7% increase on an underlying basis partly offset by a decrease of 2% from the impact of foreign currency translation.

Consulting revenue in the first six months of 2017 increased 3%. Underlying revenue increased 4% with underlying growth of 3% at Mercer and 6% at Oliver Wyman.

Expense

Consulting expenses in the second quarter of 2017 increased 4% as compared to the second quarter of 2016. This reflects an increase of 4% on an underlying basis and a 3% increase from acquisitions, partly offset by a 2% decrease from the impact of foreign currency translation. The underlying expense increase in the second quarter of 2017 was primarily due to higher base salaries, severance costs related to the Mercer business restructuring and higher asset based fees, partly offset by lower costs related to liabilities for errors and omissions.

Underlying expenses for the six months of 2017 increased 3% as compared to 2016, primarily due to higher base salaries, severance costs related to the Mercer business restructuring and higher asset based fees, partly offset by lower costs related to liabilities for errors and omissions.

Corporate and Other

Corporate expenses were $47 million and $49 million for the second quarter of 2017 and 2016, respectively. For the first six months of 2017, corporate expenses were $92 million compared with $96 million for the same period last year. The decrease in expenses is primarily due to lower outside service costs.

Interest

Interest income earned on corporate funds was $2 million in both the second quarter of 2017 and 2016 and $4 million for both of the six month periods of 2017 and 2016. Interest expense increased $12 million in the second quarter of 2017 compared with the second quarter of 2016 and increased $24 million for the six months of 2017 compared with the same period last year. The increase in interest expense is primarily due to higher average debt outstanding in 2017.

Investment Income (Loss)

The caption "Investment income (loss)" in the consolidated statements of income comprises realized and unrealized gains and losses from investments. It includes, when applicable, other-than-temporary declines in the value of debt and available-for-sale securities and equity method gains or losses on its investments in private equity funds. The

Company's investments may include direct investments in insurance, consulting or other strategically linked companies and investments in private equity funds. The Company had a net investment income of $5 million in the second quarter of 2017 compared to $1 million for the same period in 2016. For the first six months of 2017, the Company recorded net investment income of $5 million compared to a net investment loss of $2 million for the six months of 2016.

Income Taxes

The Company's effective tax rate in the second quarter of 2017 was 28.6% compared to 29.5% in the second quarter of 2016. The effective tax rate for the first six months of 2017 was 25.9% compared with 29.0% for the first six months of 2016. The rates reflect foreign operations taxed at rates below the U.S. statutory tax rate, including the effect of repatriation, as well as the impact of discrete tax matters such as tax legislation, changes in valuation allowances, nontaxable adjustments to contingent acquisition consideration and, starting in 2017, excess tax benefits related to share-based compensation. Excluding excess tax benefits related to share based payments, the effective tax rate for the first six months of 2017 was 29.1%.

The effective tax rate is sensitive to the geographic mix and repatriation of the Company's earnings, which may result in higher or lower tax rates. U.S. federal and state corporate tax rates substantially exceed tax rates applicable in most jurisdictions outside the U.S. A significant portion of the Company's profits are earned outside the U.S. In 2017, the forecasted pre-tax income in the U.K., Barbados, Canada, Australia and Germany is expected to account for approximately 60% of the Company's total non-U.S. pre-tax income, with estimated effective tax rates in those countries of 23%, 0%, 27%, 30% and 32%, respectively. Consequently, increases in the profitability of the Company's U.S.-based operations relative to non-U.S. operations would tend to result in higher effective tax rates. Losses in one jurisdiction, generally, cannot offset earnings in another, and within certain jurisdictions profits and losses may not offset between entities. Consequently, losses in certain jurisdictions may require valuation allowances affecting the effective tax rate, depending on estimates of the realizability of associated deferred tax assets. The tax rate is also sensitive to changes in unrecognized tax benefits, including the impact of settled tax audits and expired statutes of limitation.

Changes in tax laws or tax rulings may have a significant impact on our effective tax rate. Discussions continue within Congress and the Administration about broad reform of the corporate tax system in the U.S. It is not possible to predict the ultimate outcome of these discussions. Future legislation could have a material impact on our effective tax rate and consolidated financial statements due to reforms that could include changes in the corporate tax rate and in the way U.S. corporations are taxed on foreign earnings.

The Company reports a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in tax returns. The Company's gross unrecognized tax benefits increased from $65 million at December 31, 2016 to $66 million at June 30, 2017. It is reasonably possible that the total amount of unrecognized tax benefits will decrease between zero and approximately $9 million within the next twelve months due to settlements of audits and expirations of statutes of limitation.

Liquidity and Capital Resources

The Company is organized as a legal entity separate and distinct from its operating subsidiaries. As the Company does not have significant operations of its own, the Company is dependent upon dividends and other payments from its operating subsidiaries to pay principal and interest on its outstanding debt obligations, pay dividends to stockholders, repurchase its shares and pay corporate expenses. The Company also provides financial support to its operating subsidiaries for acquisitions, investments and certain parts of their business that require liquidity, such as the capital markets business of Guy Carpenter. Other sources of liquidity include borrowing facilities discussed below in Financing Cash Flows.

The Company derives a significant portion of its revenue and operating profit from operating subsidiaries located outside of the United States. Funds from those operating subsidiaries are regularly repatriated to the United States out of annual earnings. At December 31, 2016, the Company had approximately $850 million of cash and cash equivalents in its foreign operations, substantially all of which is considered to be permanently invested in those operations to fund foreign investments and working capital needs. The $850 million of non-U.S. cash and cash equivalents considered permanently reinvested includes $157 million of operating funds required to be maintained for regulatory requirements or as collateral under certain captive insurance arrangements. The Company expects to continue its practice of repatriating foreign funds from its non-U.S. operating subsidiaries out of current annual earnings. While management does not foresee a need to repatriate the funds which are currently deemed permanently invested, if facts or circumstances change, management could elect to repatriate them, if necessary, which could result in higher effective tax rates in the future. In the first six months of 2017, the Company recorded foreign currency translation adjustments which increased net equity by approximately $525 million.

Cash and cash equivalents on our consolidated balance sheets includes funds available for general corporate purposes. Funds held on behalf of clients in a fiduciary capacity are segregated and shown separately in the consolidated balance sheets as an offset to fiduciary liabilities. Fiduciary funds cannot be used for general corporate purposes, and should not be considered as a source of liquidity for the Company.

Operating Cash Flows

The Company generated $343 million of cash from operations for the six months ended June 30, 2017, compared to $229 million generated from operations for the same period in 2016. These amounts reflect the net income of the Company during those periods, excluding gains or losses from investments, adjusted for non-cash charges and changes in working capital which relate primarily to the timing of payments of accrued liabilities and pension plan contributions or receipts of assets.

Pension Related Items

Contributions

The Company's policy for funding its tax-qualified defined benefit plans is to contribute amounts at least sufficient to meet the funding requirements set forth in the applicable laws or regulations of the U.S. and other jurisdictions. During the first six months of 2017, the Company contributed $105 million to its non-U.S. defined benefit pension plans and $15 million to its U.S. defined benefit pension plans. In the first six months of 2016, the Company contributed $90 million to its non-U.S. defined benefit pension plans and $13 million to its U.S. defined benefit pension plans.

In the U.S., contributions to the tax-qualified defined benefit plans are based on ERISA guidelines and the Company generally expects to maintain a funded status of 80% or more of the liability determined under the ERISA guidelines. Outside the U.S., the Company has a large number of defined benefit pension plans, the largest of which are in the U.K., which comprise approximately 81% of non-U.S. plan assets at December 31, 2016. Contribution rates for non-U.S. plans are generally based on local funding practices and statutory requirements, which may differ significantly from measurements under U.S. GAAP. In the U.K., the assumptions used to determine pension contributions are the result of legally-prescribed negotiations between the Company and the plans' trustee that typically occur every three years in conjunction with the actuarial valuation of the plans. Currently, this results in a lower funded status than under U.S. GAAP and may result in contributions irrespective of the U.S. GAAP funded status. In November 2016, the Company and the Trustee of the U.K. Defined Benefits Plans agreed to a funding deficit recovery plan for the U.K. defined benefit pension plans. The current agreement with the Trustee sets out the

annual deficit contributions which would be due based on the deficit at December 31, 2015. The funding level is subject to re-assessment, in most cases on November 1 of each year. If the funding level on November 1 is sufficient, no deficit funding contributions will be required in the following year, and the contribution amount will be deferred. As part of a

long-term strategy, which depends on having greater influence over asset allocation and overall investment decisions, in November 2016 the Company renewed its agreement to support annual deficit contributions by the U.K. operating companies under certain circumstances, up to GBP 450 million over a seven-year period.

The Company expects to fund an additional $119 million to its non-U.S. defined benefit plans over the remainder of 2017, comprising approximately $55 million to plans outside of the U.K. and $64 million to the U.K. plans. The Company also expects to fund an additional $17 million to its U.S. defined benefit plans during the remainder of 2017.

Funding amounts may be influenced by future asset performance, the level of discount rates and other variables impacting the funded status of the plan.

Changes in Pension Plans

The Company continues to manage the cost and assess the competitiveness of its benefits programs, and also to manage the risks related to its defined benefit pension plan liabilities. In October 2016, the Company modified its U.S. defined benefit pension plans to discontinue further benefit accruals for participants after December 31, 2016. At the same time, the Company amended its U.S. defined contribution retirement plans for most of its U.S. employees to add an automatic Company contribution equal to 4% of eligible base pay beginning on January 1, 2017. This new Company contribution, together with the Company’s current matching contribution, provides eligible U.S. employees with the opportunity to receive a total contribution of up to 7% of eligible base pay. As required under GAAP, the defined benefit plans that were significantly impacted by the modification were re-measured in October 2016 using market data and assumptions as of the modification date. The net periodic pension expense recognized in 2016 reflects the weighted average costs of the December 31, 2015 measurement and the October 2016 re-measurement. In addition, the U.S. qualified plans were merged effective December 30, 2016.

In March 2017, the Company modified its defined benefit pension plans in Canada to discontinue further benefit accruals for participants after December 31, 2017 and replaced them with a defined contribution arrangement. The Company also amended its post-retirement benefits plan in Canada so that individuals who retire after April 1, 2019 will not be eligible to participate, except in certain situations. The Company re-measured the assets and liabilities of the plans, based on assumptions and market conditions on the amendment date.

Financing Cash Flows

Net cash provided by financing activities was $16 million for the six-month period ended June 30, 2017, compared with $376 million net cash used by such activities for the same period in 2016.

Debt

The Company has established a short-term debt financing program of up to $1.5 billion through the issuance of commercial paper. The proceeds from the issuance of commercial paper are used for general corporate purposes. The Company had $150 million of commercial paper outstanding at June 30, 2017 at an effective interest rate of 1.45%.

In January 2017, the Company issued $500 million of 2.75% senior notes due in 2022 and $500 million of 4.35% senior notes due in 2047. The Company used the net proceeds for general corporate purposes, which included the repayment of $250 million of senior notes in April 2017.

In March 2016, the Company issued $350 million of 3.30% seven-year senior notes. The Company used the net proceeds for general corporate purposes.

Credit Facilities

The Company and certain of its subsidiaries maintain a $1.5 billion multi-currency five-year unsecured revolving credit facility. The interest rate on this facility is based on LIBOR plus a fixed margin which varies with the Company's credit ratings. This facility expires in November 2020 and requires the Company to maintain certain coverage and leverage ratios which are tested quarterly. There were no borrowings outstanding under this facility at June 30, 2017.

The Company's senior debt is currently rated A- by Standard & Poor's and Baa1 by Moody's. The Company's short-term debt is currently rated P-2 by Moody's and A-2 by Standard & Poor's. The Company carries a stable outlook from Moody's and Standard & Poor's.

Share Repurchases

During the first six months of 2017, the Company repurchased 5.4 million shares of its common stock for total consideration of $400 million at an average price per share of $74.03. In November 2016, the Board of Directors authorized an increase in the Company's share repurchase program, which supersedes any prior authorization, allowing management to buy back up to $2.5 billion of the Company's common stock going forward. As of June 30, 2017, the Company remained authorized to purchase additional shares of its common stock up to a value of approximately $2.0 billion. There is no time limit on this authorization.

During the first six months of 2016, the Company repurchased approximately 7.0 million shares of its common stock for consideration of $425 million.

Contingent payments related to acquisitions

During the first six months of 2017, the Company paid $65 million of contingent payments related to acquisitions made in prior periods. These payments are split between financing and operating cash flows in the consolidated statements of cash flows. Payments of $60 million related to the contingent consideration liability that was recorded on the date of acquisition are reflected as financing cash flows. Payments related to increases in the contingent consideration liability subsequent to the date of acquisition of $5 million are reflected as operating cash flows. Remaining estimated future contingent consideration payments of $203 million for acquisitions completed in the first six months of 2017 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at June 30, 2017.

The Company paid deferred purchase consideration related to prior years' acquisitions of $37 million in the first six months of 2017. Remaining deferred cash payments of approximately $135 million for acquisitions completed in the first six months of 2017 and in prior years are recorded in accounts payable and accrued liabilities or other liabilities in the consolidated balance sheet at June 30, 2017.

In the first six months of 2016, the Company paid $50 million of contingent payments related to acquisitions made in prior periods. Of this amount, $24 million was reported as financing cash flows and $26 million as operating cash flows.

Dividends

The Company paid dividends on its common shares of $351 million ($0.68 per share) during the first six months of 2017, as compared with $326 million ($0.62 per share) during the first six months of 2016.

Investing Cash Flows

Net cash used for investing activities amounted to $538 million in the first six months of 2017, compared with $190 million used during the same period in 2016.

The Company paid $412 million and $77 million, net of cash acquired, for acquisitions it made during the first six months of 2017 and 2016, respectively.

The Company used cash of $144 million to purchase fixed assets and capitalized software in the first six months of 2017, compared with $114 million in the first six months of 2016, primarily related to computer equipment and software purchases, software development costs and the refurbishing and modernizing of office facilities.

The Company has commitments for potential future investments of approximately $64 million in five private equity funds that invest primarily in financial services companies.

Commitments and Obligations

The Company's contractual obligations of the types identified in the table below were of the following amounts as of June 30, 2017:

| (In millions of dollars) | Payment due by Period | | | | |
|---|---|---|---|---|---|
| Contractual Obligations | Total | Within 1 Year | 1-3 Years | 4-5 Years | After 5 Years |
| Commercial paper | $150 | $ 150 | $ — | $ — | $— |
| Short-term debt | 12 | 12 | — | — | — |
| Long-term debt | 5,517 | — | 1,079 | 1,029 | 3,409 |
| Interest on long-term debt | 2,040 | 208 | 397 | 345 | 1,090 |
| Net operating leases | 2,010 | 315 | 527 | 406 | 762 |
| Service agreements | 296 | 175 | 114 | 7 | — |
| Other long-term obligations | 369 | 136 | 178 | 51 | 4 |
| Total | $10,394 | $ 996 | $ 2,295 | $ 1,838 | $5,265 |

The above does not include unrecognized tax benefits of $66 million, accounted for under ASC Topic No. 740, as the Company is unable to reasonably predict the timing of settlement of these liabilities, other than approximately $5 million that may become payable within one year. The above does not include the indemnified liabilities discussed in Note 14 as the Company is unable to reasonably predict the timing of settlement of those liabilities. The above does not include net pension liabilities for underfunded plans of approximately $1.9 billion because the timing and amount of ultimate payment of such liability is dependent upon future events, including, but not limited to, future returns on plan assets and changes in the discount rate used to measure the liabilities. The Company expects to contribute approximately $17 million and $119 million to its U.S. and non-U.S. pension plans, respectively, in the remainder of 2017.

New Accounting Guidance

Note 16 to the consolidated financial statements in this report contains a discussion of recently issued accounting guidance and their impact or potential future impact on the Company's financial results, if determinable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market Risk and Credit Risk

Certain of the Company's revenues, expenses, assets and liabilities are exposed to the impact of interest rate changes and fluctuations in foreign currency exchange rates and equity markets.

The Company had the following investments subject to variable interest rates:

| (In millions) | June 30, 2017 |
|---|---|
| Cash and cash equivalents invested in money market funds, certificates of deposit and time deposits | $ 966 |
| Fiduciary cash and investments | $ 5,039 |

Based on the above balances, if short-term interest rates increased or decreased by 10%, or 9 basis points, for the remainder of the year, annual interest income, including interest earned on fiduciary funds, would increase or decrease by approximately $2 million.

Changes in interest rates can also affect the discount rate and assumed rate of return on plan assets, two of the assumptions among several others used to measure net periodic pension expense. The assumptions used to measure plan assets and liabilities are typically assessed at the end of each year, and determine the expense for the subsequent year. Assumptions used to determine net periodic expense for 2017 are discussed in Note 8 to the consolidated financial statements included in our most recently filed Annual Report on Form 10-K. For a discussion on pension expense sensitivity to changes in these rates, see the "Management's Discussion and Analysis of Financial Condition and Results of Operations-Management's Discussion of Critical Accounting Policies-Retirement Benefits" section of our most recently filed Annual Report on Form 10-K.

In addition to interest rate risk, our cash and cash equivalents and fiduciary fund investments are subject to potential loss of value due to counter-party credit risk. To minimize this risk, the Company and its subsidiaries invest pursuant to a Board-approved investment policy. The policy mandates the preservation of principal and liquidity and requires broad diversification with counter-party limits assigned based primarily on credit rating and type of investment. The Company carefully monitors its cash and fiduciary fund investments and will further restrict the portfolio as appropriate in response to market conditions. The majority of cash and fiduciary fund investments are invested in short-term bank deposits.

Foreign Currency Risk

The translated values of revenue and expense from the Company's international operations are subject to fluctuations due to changes in currency exchange rates. The non-U.S. based revenue that is exposed to foreign exchange fluctuations is approximately 50% of total revenue. We periodically use forward contracts and options to limit foreign currency exchange rate exposure on net income and cash flows for specific, clearly defined transactions arising in the ordinary course of business. Although the Company has significant revenue generated in foreign locations which is subject to foreign exchange rate fluctuations, in most cases both the foreign currency revenue and expenses are in the functional currency of the foreign location. As such, under normal circumstances, the U.S. dollar translation of both the revenues and expenses, as well as the potentially offsetting movements of various currencies against the U.S. dollar, generally tends to mitigate the impact on net operating income of foreign currency risk. However, there have been periods where the impact was not mitigated due to external market factors and events, such as the decision in the United Kingdom to exit the European Union. Similar macroeconomic events may result in greater foreign exchange rate fluctuations in the future. If foreign exchange rates of major currencies (Euro, Sterling, Australian dollar and Canadian dollar) moved 10% in the same direction against the U.S. dollar compared with the foreign exchange rates in 2016, the Company estimates net operating income would increase or decrease by approximately $53 million. The Company has exposure to approximately 80 foreign currencies overall. If exchange rates at June 30, 2017 hold constant throughout 2017, the Company estimates the year-over-year impact from conversion of foreign currency earnings will reduce full year net operating income by approximately $5 million.

Equity Price Risk

The Company holds investments in both public and private companies as well as private equity funds. Investments of approximately $123 million are classified as available for sale, which includes the Company's investment in Benefitfocus, approximately $21 million are accounted for using the cost method, and $416 million are accounted for

using the equity method, including the Company's investment in Alexander Forbes. The investments are subject

to risk of decline in market value, which, if determined to be other than temporary, could result in realized impairment losses. The Company periodically reviews the carrying value of such investments to determine if any valuation adjustments are appropriate under the applicable accounting pronouncements.

As of June 30, 2017, the carrying value of the Company's investment in Alexander Forbes was $275 million. As of June 30, 2017, the market value of the approximately 443 million shares of Alexander Forbes owned by the Company, based on the June 30, 2017 closing share price of 6.95 South African Rand per share, was approximately $237 million. During the first six months of 2017, the shares closed between 5.99 Rand (in late April) and 7.95 Rand (in early January). During the month of June 2017, Alexander Forbes stock price ranged from 6.25 Rand on June 1 to a high of 7.31 Rand on June 23. The Company considered several factors related to its investment in Alexander Forbes, including its financial position, the near- and long-term prospects of Alexander Forbes and the broader South African economy and capital markets, the length of time and extent to which the market value was below cost and the Company's intent and ability to retain the investment for a sufficient period of time to allow for anticipated recovery in market value. As a result, the Company determined the investment was not impaired.

Other

A number of lawsuits and regulatory proceedings are pending. See Note 14 ("Claims, Lawsuits and Other Contingencies") to the consolidated financial statements in this report.

Item 4. Controls & Procedures.

a. Evaluation of Disclosure Controls and Procedures

Based on their evaluation, as of the end of the period covered by this report, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) are effective.

b. Changes in Internal Control

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) or 15d-15(d) under the Securities Exchange Act of 1934 that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

In April 2017, the Financial Conduct Authority in the United Kingdom (the "FCA") commenced a civil competition investigation into the aviation insurance and reinsurance sector. In connection with that investigation, the FCA carried out an on-site inspection at the London office of Marsh Limited, our Marsh and Guy Carpenter operating subsidiary in the United Kingdom. The FCA indicated that it had reasonable grounds for suspecting that Marsh Limited and other participants in the market have been sharing competitively sensitive information within the aviation insurance and reinsurance broking sector.

In July 2017, the Directorate-General for Competition of the European Commission and the Irish Competition and Consumer Protection Commission conducted on-site inspections at the offices of Marsh and other brokers in Dublin in connection with an investigation into potential anti-competitive practices in the commercial motor insurance market in the Republic of Ireland.

We are cooperating fully with these investigations and are conducting our own reviews. As these investigations are at early stages, we are unable to predict their likely timing, outcome or ultimate impact. There can be no assurance that the ultimate resolution of these or any related matters will not have a material adverse effect on our consolidated financial position, results of operations or liquidity.

We and our subsidiaries are also party to a variety of other legal, administrative, regulatory and government proceedings, claims and inquiries arising in the normal course of business. Additional information regarding certain legal proceedings and related matters is set forth in Note 14 to the consolidated financial statements provided in Part I of this report is incorporated herein by reference.

Item 1A. Risk Factors.

The Company and its subsidiaries face a number of risks and uncertainties. In addition to the other information in this report and our other filings with the SEC, readers should consider carefully the risk factors discussed in "Part I, Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016. If any of the risks described in our Annual Report on Form 10-K or such other risks actually occur, our business, results of operations or financial condition could be materially adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Repurchases of Equity Securities

The Company repurchased approximately 2.7 million shares of its common stock for $200 million during the second quarter of 2017. In November 2016, the Board of Directors of the Company authorized the Company to repurchase up to $2.5 billion in shares of the Company's common stock, which superseded any prior authorizations. As of June 30, 2017, the Company remained authorized to repurchase up to approximately $2.0 billion in shares of its common stock. There is no time limit on the authorization.

| Period | (a) Total Number of Shares (or Units) Purchased | (b) Average Price Paid per Share (or Unit) | (c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| April 1-30, 2017 | 1,025,138 | $73.1608 | 1,025,138 | $2,165,752,213 |
| May 1-31, 2017 | 991,059 | $74.3604 | 991,059 | $2,092,056,664 |
| June 1-30, 2017 | 654,477 | $78.3901 | 654,477 | $2,040,752,167 |
| Total | 2,670,674 | $74.8875 | 2,670,674 | $2,040,752,167 |

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Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosure.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

See the Exhibit Index immediately following the signature page of this report, which is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: July 28, 2017 /s/ Mark C. McGivney
Mark C. McGivney
Chief Financial Officer

Date: July 28, 2017 /s/ Robert J. Rapport
Robert J. Rapport
Senior Vice President & Controller
(Chief Accounting Officer)

EXHIBIT INDEX

| Exhibit No. | Exhibit Name |
|---|---|
| 12.1 | Statement Re: Computation of Ratio of Earnings to Fixed Charges |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer |
| 32.1 | Section 1350 Certifications |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |