



**Sean White**  
Principal

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Mr. David Jones  
Chairperson  
Everett School Employee Benefit Trust  
P.O. Box 2098  
Everett, WA 98203

May 14, 2012

**Subject:** Statement of Work (SOW)

Dear David:

The objective of this Statement of Work ("SOW") is to confirm the scope of our work and the compensation for this engagement. This SOW is subject to the terms and conditions contained in our existing engagement letter dated May 18, 2009. All capitalized terms not defined in this SOW shall have the meanings ascribed to them in our existing engagement letters.

## **Service Details**

1. Service name: Health & Benefits Consulting
2. Description of Mercer responsibilities:
  - A. Renewal
    - i. Evaluate the viability and cost-effectiveness of various cost containment options, including options provided through WEA and PEBB
    - ii. Deliver pertinent information on a timely basis regarding group benefit trends
    - iii. Monitor vendor financial representations to ensure compliance with contract terms
    - iv. Prepare annual settlement reports that cover the operations and history of benefit programs
    - v. Negotiate preferred contract terms and rates
    - vi. Create renewal report
    - vii. Coordinate carrier meetings to assure smooth plan operations; maintain contact to resolve issues
  - B. Financial Services
    - i. Develop effective strategies to meet program objectives, including initial recommendations concerning Trust and employee contributions, age and family subsidies and risk transfer
    - ii. Introduce new ideas and approaches to improve benefit design, the delivery of benefits and the financial success of the plan

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- iii. Analyze the feasibility of modifying or changing the present method of funding and make recommendations where appropriate for alternate funding methods, including the alternative risk transfer arrangements
- iv. Prepare annual projected revenue and expense calculations for the Trust
- v. Prepare annual calculation of premium rates and COBRA rates for the plans
- vi. Prepare annual calculation of employee contribution requirements prior to each annual open enrollment period
- vii. Analyze loss ratios, retention levels and billing margins requested by carriers during renewal
- C. Plan Review
  - i. Review federal and state legislation and other regulatory requirements and advise the Trust on potential application to the benefit plans
  - ii. Review instruments and documents, such as insurance contracts and booklets
- D. Meetings/Meeting Preparation
  - i. Provide general consulting on all benefit issues, including at least six meetings per year
- E. General Administration
  - i. Assist with billing, claim filing procedures and eligibility
  - ii. Monitor performance guarantees
  - iii. Completion of any required reports requested by the State
  - iv. Respond to Trust/HR staff questions, benefit clarification
  - v. Project management

#### Special Projects Not Included in Routine Services

(Consulting Services Typically Designated as Special Projects):

- vi. Drafting bid specifications, analyzing responses, making recommendations and assisting in implementing changes in carriers and other vendors unless specifically listed above
- vii. Claims data analysis
- viii. Development of special communications projects (handbooks, benefit statements, newsletters, etc.)
- ix. Conducting a claim adjudication review, including focused claim audit
- x. Conducting a systems audit and recommending changes to enhance work flow and administrative efficiency
- xi. Developing new programs not currently available to employees
- xii. Other services not specifically identified in Routine Services and mutually agreed between the parties

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3. Description of client responsibilities: Provide data as required.
4. Period of time over which work will be performed: July 1, 2012 through June 30, 2013 and automatically renews for one-year periods as agreed to by the Trust and Mercer.
5. Compensation/fees:  
We will receive a combination of compensation from third parties in the form of base commissions and fees from you that are the subject of our disclosure and your consent on our "Disclosure and Consent Form" for the Services performed hereunder.

We will bill you monthly with such invoices due within thirty (30) days of your receipt of an undisputed invoice. If any invoice remains unpaid after longer than ninety days from the date of the invoice, we may either suspend the provision of the services until payment is received or terminate this Letter with immediate effect.

Fees for Services will be offset by Account Credits to the extent available and subject to applicable laws. Account Credits as used herein are defined as base commissions received by Mercer as your broker of record during the period and from the policies shown on the Disclosure and Consent Form accounted for on a dollar-for-dollar basis. Account Credits are available to offset fees for certain Services (indicated above in Section 2) in the plan year in which Mercer receives the base commission giving rise to such Account Credit, plus the plan year immediately following. Thereafter, Account Credits expire and are no longer available for any fee offset. This arrangement is not offered as an inducement to purchase insurance of any type, but rather to help demonstrate to you that the services we provide are commensurate with the overall compensation Mercer receives.

The following table outlines the budget for the 2012/2013 year.

2011-2012 Budget	2011-2012 YTD Actual through April	Core Consulting Services	2012-2013 Budget
\$50,000	\$22,746	General Administration: <ul style="list-style-type: none"><li>• District questions</li><li>• Benefit Clarifications</li><li>• Carrier Follow-up</li><li>• Appeal Research</li><li>• Problem Resolution</li><li>• Monitor Performance Guarantees</li></ul>	\$30,000

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2011-2012 Budget	2011-2012 YTD Actual through April	Core Consulting Services	2012-2013 Budget
\$55,000	\$73,168	Renewals/Carrier Relations: <ul style="list-style-type: none"> <li>Evaluate Cost Containment</li> <li>Negotiate Preferred Rates and Contract Terms</li> <li>Renewal Rate Analysis</li> <li>Create Renewal Report</li> </ul>	\$40,000
\$30,000	\$26,990	Consultant Meetings: <ul style="list-style-type: none"> <li>Preparation for and Attendance at Trust Meetings</li> <li>Project Management</li> </ul>	\$30,000
\$30,000	\$28,605	Financial Services: <ul style="list-style-type: none"> <li>Benefit Cost Impact</li> <li>Cost and Contribution Calculations</li> <li>Prepare Premium and COBRA Rate Calculations</li> </ul>	\$20,000
\$15,000	\$2,103	Plan Review: <ul style="list-style-type: none"> <li>Contract Review</li> <li>Benefit Summary Review</li> <li>Compliance Reviews</li> </ul>	\$10,000
<b>\$180,000</b>	<b>\$153,612</b>	<b>Total</b>	<b>\$130,000</b>

In addition to other compensation listed, we also bill for necessary travel and other expenses related to the services requested.

## Subcontractors

We may need to utilize various subcontractors ("Subcontractors") in the course of our provision of the Services to assist us in such tasks as printing and mailing, development of interactive tools, graphic design, etc. You consent to our use of the Subcontractors and further acknowledge and agree that we may provide such Subcontractors with your Confidential Information, including Work, on a confidential and a need to know basis for the purposes contemplated by this SOW.

## Additional Terms

- We do not act on behalf of any insurer or other service provider, are not bound to utilize any particular insurer or service provider, and do not have the authority to make binding commitments on behalf of any insurer or service provider. In addition, we do not guarantee or

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make any representation or warranty that coverage or service can be placed on terms acceptable to you. We are not responsible for the solvency or ability to pay claims of any insurance carrier or for the solvency or ability of any service provider to provide service. Insurance carriers or service providers with which your other risk or insurance coverage or other business is placed will be deemed acceptable to you, in the absence of contrary instructions from you.

7. You understand that the failure to provide, or cause to provide, complete, accurate, up-to-date, and timely documentation and information to us, an insurer, or other service provider, whether intentional or by error, could result in impairment or voiding of coverage or service. You agree to review all policies, endorsements and program agreements delivered to you by us and will advise us of anything which you believe is not in accordance with the negotiated coverage and terms within thirty (30) days following receipt.
8. You expressly acknowledge that, with respect to the provision of the Services, we are not, nor are any of our Affiliates or subcontractors, an “administrator” within the meaning under applicable law, including the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), nor, with respect to the provision of the Services, are we or any of our Affiliates or subcontractors a “fiduciary” within the meaning under applicable law or ERISA, unless provided otherwise herein or required by applicable law.
9. Title V of the Gramm-Leach-Bliley Act and related state laws and regulations establish limitations on the use and distribution of non-public information collected by financial institutions from their customers and consumers. Our insurance-related work qualifies us as a financial institution under this Act. Our Privacy Policy Notice is available at [www.mercer.com/transparency](http://www.mercer.com/transparency). At this web address you will also find information regarding Marsh & McLennan Companies, Inc. and its subsidiaries’ equity interests in certain insurers and contractual arrangements with certain insurers and wholesale brokers.
10. Without limiting the generality of Section 2 of our engagement letter, you will inform us at the commencement of our work under each SOW (and thereafter in the event of any change) as to whether or not you or any of your Affiliates are subject to any restrictions or obligations directly relevant to the Services as a result of or in connection with having received any federal financial assistance in connection with any federal law or program, including, but not limited to, the American Recovery and Reinvestment Act of 2009 and the Emergency Economic Stabilization Act of 2008, including the Troubled Assets Relief Program. In the event that you or your Affiliates are subject to such restrictions or obligations, you will also promptly describe

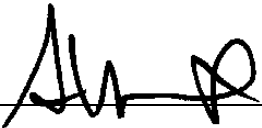


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such restrictions and obligations to us in writing in reasonable detail and make an expert (including internal or external counsel) available to us for additional clarification that we reasonably request regarding the analysis or interpretation of any such restrictions or obligations. You agree that we will be entitled to rely on, and have no liability for, the accuracy and completeness of the information, analysis or interpretation that is provided to us in connection with the foregoing.

We appreciate your business and look forward to working with you on this engagement. Please acknowledge your agreement to the terms contained herein by signing below.

**Mercer Health & Benefits LLC**

By: 

Name: Sean M. White

Date: 5/14/2012

Title: Principal

**ACCEPTED AND AGREED  
Everett School Employee Benefits Trust**

By: \_\_\_\_\_

Name: \_\_\_\_\_  
(Please Print)

Date: \_\_\_\_\_

Title: \_\_\_\_\_