



**Sean White**  
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Chairperson  
Everett School Employee Benefit Trust  
P.O. Box 2098  
Everett, WA 98203

May 13, 2015

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

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. Request renewals from current carrier
    - vi. Negotiate preferred contract terms and rates
    - vii. Create renewal report
    - viii. 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
    - 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

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- 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
- viii. Prepare experience report for medical and vision plans to monitor claims experience against fully-insured premiums and provide regularly to the Trust throughout the year
- 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
  - ii. Participate in annual or bi-annual cost and utilization review meeting(s) with medical carriers
- 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, 2015 through June 30, 2016 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.

The following table outlines the estimated budget for the 2015/2016 year. Services provided under the Renewals/Carrier Relations and Plan Review categories will be paid for by the commissions we receive. Services provided under the remaining service areas will be invoiced.

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2014-2015 Estimated Budget	2014-2015 YTD Actual through April (10 months)	Core Consulting Services	2015-2016 Estimated Budget
\$35,000	\$93,212 actual charges	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>	\$35,000
\$30,000 (covered by commis- sions)	\$30,975 commissions received	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>	\$30,000 (covered by commis- sions)
\$25,000	Included in actual charges above	Consultant Meetings: <ul style="list-style-type: none"> <li>Preparation for and Attendance at Trust Meetings</li> <li>Participate in medical carrier annual or bi-annual cost and utilization meetings</li> <li>Project Management</li> </ul>	\$25,000
\$25,000	Included in actual charges above	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> <li>Prepare and provide regular experience reporting for insured medical and vision plans</li> </ul>	\$25,000
\$10,000 (covered by commis- sions)	Included in commissions received above	Plan Review: <ul style="list-style-type: none"> <li>Contract Review</li> <li>Benefit Summary Review</li> <li>Compliance Reviews</li> </ul>	\$10,000 (covered by commis- sions)
<b>\$125,000</b>	<b>\$124,187</b>	<b>Total</b>	<b>\$125,000</b>

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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**

1. 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 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.
2. 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.
3. Mercer and its Affiliates serve a wide array of clients, including clients who compete with or whose interests may be adverse to one another. In addition, Mercer interacts with insurance carriers and other service providers through numerous business and contractual relationships, including serving as a broker for its clients and receiving commissions from carriers, providing consulting or administration services to carriers, and auditing carriers' claims data. Mercer is committed to serving each of its clients in an objective manner and maintaining the confidentiality of each of its client's information.

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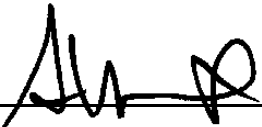
4. You expressly acknowledge that, with respect to the provision of the Services, we are not, nor are any of our Affiliates or subcontractors, an “administrator” within the meaning under applicable law, including the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), nor, with respect 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.
5. 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 and additional information regarding other compliance policies at Mercer, including our conflicts of interest policy available at the following web address <http://www.mercer.com/insights/point/2014/transparency.html>. 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.
6. 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 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.
7. Mercer is unable to provide insurance broking, risk consulting, claims or other services or provide any benefit to the extent that the provision of such services or benefit would violate applicable law or expose Mercer or its Affiliates to any sanction, prohibition or restriction under UN Security Council Resolutions or under other trade or economic sanctions, laws or regulations.



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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 White

Date: 5/13/2015

Title: Principal

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

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

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

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

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

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