



David Frazzini

Four Embarcadero Center, Suite 400
San Francisco, CA 94111-4156
+1 206 588 1619
david.frazzini@mercer.com
www.mercer.com

Manny González
Assistant CAO
County of Monterey
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901

November 17, 2013

Subject: Statement of Work for Self Insured Feasibility Study

Dear Manny:

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 11/17/2013. All capitalized terms not defined in this SOW shall have the meanings ascribed to them in our existing engagement letter.

Project Details

1. Project name: Self insured feasibility study
2. Description of Mercer responsibilities: The County of Monterey ("the County") is interested in understanding the high level financial implications of self insuring medical benefits for County employees and retirees. In support of this objective, Mercer will perform the following services:
 - Review publically available information about CalPERS program and rating methods to form an opinion about whether self insurance would increase/decrease County benefit costs relative to the cost of CalPERS medical benefits. This may include a comparison of expected health care costs in Monterey County relative to other locations included in the CalPERS rating area, and a comparison of Monterey County employee demographics to any publicly available information about CalPERS demographics, as well as a review of any other pertinent information available publicly, or through the County
 - Perform a qualitative assessment of the implications of moving retirees out of the CalPERS system, and into a self insured arrangement. While this assessment will not include an actuarial valuation of potential retiree medical liabilities under a self insured arrangement, we will strive to determine whether such liabilities would increase relative to the current arrangement under GASB accounting standards
 - We understand The Camden Group performed a study on behalf of Natividad Medical Center. Mercer will provide an independent review and evaluation of this report and provide our opinion as to the validity of any claims in this report which would support a

strategy of using Natividad as a “gatekeeper” under self insured benefit plans for County employees and retirees

3. Description of client responsibilities: The County will be available for phone calls and teleconferences as required by the circumstances of the project. In addition, the County will provide the following data and information:
 - Summary of current benefits and premiums for plans currently offered through CalPERS
 - Copies of actuarial reports, experience studies, or other reports relevant to current health care claims and utilization for county employees and retirees
 - Most recent actuarial valuation of retiree medical liabilities
 - High level census data for employees and retirees participating in CalPERS health plans
 - A copy of the Camden report prepared for Natividad Medical Center
4. Period of time over which work will be performed: Mercer will complete the services described in (2) above within five to six weeks of receipt of the information described in (3) above. We expect this work to occur between December 2, 2013 and January 13, 2014.
5. Compensation/fees: We will be compensated for the services described herein in consideration of your payment of our professional fees of \$25,000. In addition to compensation listed, we also bill for necessary travel and other expenses related to the services requested.

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 (90) days from the date of the invoice, we may either suspend the provision of the services until payment is received, or terminate this SOW with immediate effect.

Additional Terms

6. 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.
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. 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.
 9. 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.
 10. 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, are available at 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.
 11. 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

Page 4
November 17, 2013
Manny González
County of Monterey

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.

[Remainder of this page left blank intentionally]



Page 5
November 17, 2013
Manny González
County of Monterey

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: David Frazzini
(Please Print)

Date: 11/17/2013

Title: Partner

**ACCEPTED AND AGREED
County of Monterey**

By: _____

Name: _____
(Please Print)

Date: _____

Title: _____

Copy:
Stefan Szulc