

HEALTH BENEFIT SERVICES AGREEMENT

THIS AGREEMENT, hereinafter referred to as "Agreement", is made and entered into this 27th day of March 2007, by and between the COUNTY OF FRESNO, a Political Subdivision of the State of California, hereinafter referred to as "COUNTY", and Gallagher Benefit Services, Inc., whose address is 7910 North Ingram Avenue, Fresno, CA 93711, hereinafter referred to as "CONTRACTOR".

WITNESSETH:

WHEREAS, the health and benefit industry is a fluid market with many new alternative products being offered; and,

WHEREAS, the COUNTY has a need for health benefit plan consulting services to assist the COUNTY in identifying and evaluating all health care alternatives; and

WHEREAS, CONTRACTOR has the knowledge and skills to provide health benefit plan consulting services.

NOW, THEREFORE, the parties hereto agree as follows:

1. OBLIGATIONS OF THE CONTRACTOR:

CONTRACTOR shall provide services commencing on March 27, 2007, in accordance with the Scope of Services identified in Exhibit "A" attached hereto and by this reference incorporated herein.

2. OBLIGATIONS OF COUNTY:

COUNTY's obligations are identified in Exhibit "B" attached hereto and by this reference incorporated herein.

3. TERM:

This Agreement shall become effective on the 27th day of March, 2007 and shall terminate on the 26th day of March, 2009. This Agreement shall be automatically renewed for three (3) additional (1) year periods upon the same terms and conditions herein set forth unless written notice of non-renewal is given by CONTRACTOR or COUNTY, not later than ninety (90) days prior to the close of the current Agreement term.

1 4. TERMINATION:

2 A. Non-Allocation of Funds - The terms of this Agreement, and the services to
3 be provided thereunder, are contingent on the approval of funds by the appropriating government
4 agency. Should sufficient funds not be allocated, the services provided may be modified, or this
5 Agreement terminated, at any time by giving the CONTRACTOR thirty (30) days advance written
6 notice.

7 B. Breach of Contract - The COUNTY may immediately suspend or terminate
8 this Agreement in whole or in part, where in the determination of the COUNTY there is:

- 9 1) An illegal or improper use of funds;
10 2) A failure to comply with any term of this Agreement;
11 3) A substantially incorrect or incomplete report submitted to the
12 COUNTY;
13 4) Improperly performed service.

14 In no event shall any payment by the COUNTY constitute a waiver by the COUNTY of
15 any breach of this Agreement or any default which may then exist on the part of the
16 CONTRACTOR. Neither shall such payment impair or prejudice any remedy available to the
17 COUNTY with respect to the breach or default. The COUNTY shall have the right to demand of
18 the CONTRACTOR the repayment to the COUNTY of any funds disbursed to the CONTRACTOR
19 under this Agreement, which in the judgment of the COUNTY were not expended in accordance
20 with the terms of this Agreement. The CONTRACTOR shall promptly refund any such funds upon
21 demand.

22 C. Without Cause - Under circumstances other than those set forth above, this
23 Agreement may be terminated by COUNTY upon the giving of thirty (30) days advance written
24 notice of an intention to terminate to CONTRACTOR.

25 5. COMPENSATION/INVOICING:

26 Each year CONTRACTOR performs the Scope of Services set forth in Exhibit "A"
27 shall be known as a "Year of Service". The fee COUNTY shall pay to CONTRACTOR for
28 completing the first Year of Services is fixed at \$80,000. For each additional Year of Service, the

1 fee paid to the CONTRACTOR, for the same Scope of Services, will be increased by the most
2 recent available annual California Consumer Price Index, California All Urban Consumers rate, not
3 to exceed 4%, to be determined by the COUNTY each January for the year just completed. For
4 the second year of this Agreement, the amount shall not exceed \$83,200; for the first extension
5 year, the amount shall not exceed \$86,528; for the second extension year, the amount shall not
6 exceed \$89,989; and for the third extension year the amount shall not exceed \$93,589. The
7 consulting fees shall include all costs associated with the CONTRACTOR providing services to
8 the COUNTY, including overhead, materials and travel associated with attending meetings.

9 The fee or each Year of Service will be billed by CONTRACTOR to the COUNTY on a
10 monthly basis, in arrears.

11 CONTRACTOR shall submit monthly invoices in triplicate to the County of Fresno,
12 Director of Personnel Services, 2220 Tulare, Suite 1400, Fresno, CA 93721. In no event shall
13 services performed under this Agreement be in excess of \$433,306 during the term of this
14 Agreement. It is understood that all expenses incidental to CONTRACTOR's performance of
15 services under this Agreement shall be borne by CONTRACTOR. Invoice terms shall be Net 45
16 days.

17 6. GUARANTEE:

18 CONTRACTOR warrants that it will perform the Scope of Services set forth in
19 Exhibit A to the satisfaction of the COUNTY. If in the sole determination of COUNTY, the
20 COUNTY is not satisfied with CONTRACTOR's performance of Scope of Services, then COUNTY
21 shall provide written notice to CONTRACTOR of said dissatisfaction. Said written notice may be
22 provided to CONTRACTOR at any time during any current Year of Service period, but not later
23 than 30 days after the ending of the Year of Service period for which COUNTY's determination of
24 dissatisfaction applies. Not later than 45 days following CONTRACTOR's receipt of said notice of
25 dissatisfaction from COUNTY, CONTRACTOR shall reimburse the COUNTY an amount not to
26 exceed 10% of the total annual fee for that Year of Service.

27 7. INDEPENDENT CONTRACTOR:

28 In performance of the work, duties and obligations assumed by CONTRACTOR

1 under this Agreement, it is mutually understood and agreed that CONTRACTOR, including any
2 and all of the CONTRACTOR's officers, agents, and employees will at all times be acting and
3 performing as an independent contractor, and shall act in an independent capacity and not as an
4 officer, agent, servant, employee, joint venturer, partner, or associate of the COUNTY.
5 Furthermore, COUNTY shall have no right to control or supervise or direct the manner or method
6 by which CONTRACTOR shall perform its work and function. However, COUNTY shall retain the
7 right to administer this Agreement so as to verify that CONTRACTOR is performing its obligations
8 in accordance with the terms and conditions thereof.

9 CONTRACTOR and COUNTY shall comply with all applicable provisions of law
10 and the rules and regulations, if any, of governmental authorities having jurisdiction over matters
11 the subject thereof.

12 Because of its status as an independent contractor, CONTRACTOR shall have
13 absolutely no right to employment rights and benefits available to COUNTY employees.
14 CONTRACTOR shall be solely liable and responsible for providing to, or on behalf of, its
15 employees all legally-required employee benefits. In addition, CONTRACTOR shall be solely
16 responsible and save COUNTY harmless from all matters relating to payment of CONTRACTOR's
17 employees, including compliance with Social Security withholding and all other regulations
18 governing such matters. It is acknowledged that during the term of this Agreement,
19 CONTRACTOR may be providing services to others unrelated to the COUNTY or to this
20 Agreement.

21 8. MODIFICATION:

22 Any matters of this Agreement may be modified from time to time by the written
23 consent of all the parties without, in any way, affecting the remainder.

24 9. NON-ASSIGNMENT:

25 Neither party shall assign, transfer or sub-contract this Agreement nor their rights
26 or duties under this Agreement without the prior written consent of the other party.

27 10. HOLD HARMLESS:

28 CONTRACTOR agrees to indemnify, save, hold harmless, and at COUNTY's

1 request, defend the COUNTY, its officers, agents, and employees from any and all costs and
2 expenses, damages, liabilities, claims, and losses occurring or resulting to COUNTY in connection
3 with the performance, or failure to perform, by CONTRACTOR, its officers, agents, or employees
4 under this Agreement, and from any and all costs and expenses, damages, liabilities, claims, and
5 losses occurring or resulting to any person, firm, or corporation who may be injured or damaged
6 by the performance, or failure to perform, of CONTRACTOR, its officers, agents, or employees
7 under this Agreement.

8 11. INSURANCE:

9 Without limiting the COUNTY's right to obtain indemnification from
10 CONTRACTOR or any third parties, CONTRACTOR, at its sole expense, shall maintain in full
11 force and effect the following insurance policies throughout the term of this Agreement:

12 A. Commercial General Liability

13 Commercial General Liability Insurance with limits of not less than One
14 Million Dollars (\$1,000,000) per occurrence and an annual aggregate of Two Million Dollars
15 (\$2,000,000). This policy shall be issued on a per occurrence basis. COUNTY may require
16 specific coverages including completed operations, products liability, contractual liability,
17 Explosion-Collapse-Underground, or fire legal liability.

18 B. Automobile Liability

19 Comprehensive Automobile Liability Insurance with limits for bodily injury of
20 not less than Two Hundred Fifty Thousand Dollars (\$250,000.00) per person, Five Hundred
21 Thousand Dollars (\$500,000.00) per accident and for property damages of not less than Fifty
22 Thousand Dollars (\$50,000.00), or such coverage with a combined single limit of Five Hundred
23 Thousand Dollars (\$500,000.00). Coverage should include owned and non-owned vehicles used
24 in connection with this Agreement.

25 C. Professional Liability

26 If CONTRACTOR employs licensed professional staff, (e.g., Ph.D., R.N.,
27 L.C.S.W., M.F.C.C.) in providing services, Professional Liability Insurance with limits of not less
28 than One Million Dollars (\$1,000,000.00) per claim, Three Million Dollars (\$3,000,000.00) annual

1 aggregate.

2 D. Worker's Compensation

3 A policy of Worker's Compensation insurance as may be required by the
4 California Labor Code.

5 CONTRACTOR shall obtain endorsements to the Commercial General Liability
6 insurance naming the County of Fresno, its officers, agents, and employees, individually and
7 collectively, as additional insured, but only insofar as the operations under this Agreement are
8 concerned. Such coverage for additional insured shall apply as primary insurance and any other
9 insurance, or self-insurance, maintained by COUNTY, its officers, agents and employees shall be
10 excess only and not contributing with insurance provided under CONTRACTOR's policies herein.
11 This insurance shall not be cancelled or changed without a minimum of thirty (30) days advance
12 written notice given to COUNTY.

13 Within thirty (30) days from the date CONTRACTOR executes this Agreement,
14 CONTRACTOR shall provide certificates of insurance and endorsement as stated above for all of
15 the foregoing policies, as required herein, to the County of Fresno, (Personnel Services Manager,
16 Employee Benefits, Department of Personnel Services, 2220 Tulare Street, 14th Floor, Fresno, CA
17 93721), stating that such insurance coverage have been obtained and are in full force; that the
18 County of Fresno, its officers, agents and employees will not be responsible for any premiums on
19 the policies; that such Commercial General Liability insurance names the County of Fresno, its
20 officers, agents and employees, individually and collectively, as additional insured, but only insofar
21 as the operations under this Agreement are concerned; that such coverage for additional insured
22 shall apply as primary insurance and any other insurance, or self-insurance, maintained by
23 COUNTY, its officers, agents and employees, shall be excess only and not contributing with
24 insurance provided under CONTRACTOR's policies herein; and that this insurance shall not be
25 cancelled or changed without a minimum of thirty (30) days advance, written notice given to
26 COUNTY.
27

28 In the event CONTRACTOR fails to keep in effect at all times insurance

1 coverage as herein provided, the COUNTY may, in addition to other remedies it may have,
2 suspend or terminate this Agreement upon the occurrence of such event.

3 All policies shall be with admitted insurers licensed to do business in the State
4 of California. Insurance purchased shall be purchased from companies possessing a current A.M.
5 Best, Inc. rating of A FSC VII or better.

6 12. AUDITS AND INSPECTIONS:

7 The CONTRACTOR shall at any time during business hours, and as often as
8 the COUNTY may deem necessary, make available to the COUNTY for examination all of its
9 records and data with respect to the matters covered by this Agreement. The CONTRACTOR
10 shall, upon request by the COUNTY, permit the COUNTY to audit and inspect all of such records
11 and data necessary to ensure CONTRACTOR's compliance with the terms of this Agreement.

12 If this Agreement exceeds ten thousand dollars (\$10,000.00), CONTRACTOR
13 shall be subject to the examination and audit of the Auditor General for a period of three (3) years
14 after final payment under contract (Government Code Section 8546.7).

15 13. NOTICES:

16 The persons and their addresses having authority to give and receive notices
17 under this Agreement include the following:

18 COUNTY
19 COUNTY OF FRESNO
20 Director of Personnel Services
21 2220 Tulare Street, Suite 1400
22 Fresno, CA 93721

CONTRACTOR
GALLAGHER BENEFIT SERVICES, INC.
LeRoy H. Tucker Jr., Area President
7910 N. Ingram Avenue
Fresno, CA 93711

22 Any and all notices between the COUNTY and the CONTRACTOR provided
23 for or permitted under this Agreement or by law shall be in writing and shall be deemed duly
24 served when personally delivered to one of the parties, or in lieu of such personal services, when
25 deposited in the United States Mail, postage prepaid, addressed to such party.

26 14. GOVERNING LAW:

27 Venue for any action arising out of or related to this Agreement shall only be in
28 Fresno County, California.

1 The rights and obligations of the parties and all interpretation and performance
2 of this Agreement shall be governed in all respects by the laws of the State of California.

3 15. RELIANCE:

4 In the performance of its duties, CONTRACTOR, may rely upon, and will have
5 no obligation to independently verify the accuracy, completeness, or authenticity of, any written
6 instructions or information provided to CONTRACTOR by the COUNTY or its designated
7 representatives and reasonably believed by CONTRACTOR to be genuine and authorized by the
8 COUNTY.

9 16. NO PRACTICE OF LAW:

10 CONTRACTOR will not be obligated to perform, and the COUNTY will not
11 request performance of, any services which may constitute unauthorized practice of law. The
12 COUNTY will be solely responsible for obtaining any legal advice, review or opinion as may be
13 necessary to ensure that its own conduct and operations, including the engagement of
14 CONTRACTOR under the scope and terms as provided herein, conform in all respects with
15 applicable State and Federal laws and regulations (including the Internal Revenue Code, State
16 and securities laws and implementing regulations).

17 17. ACKNOWLEDGEMENTS:

18 In connection with CONTRACTOR's services under this Agreement, COUNTY
19 agrees that:

20 (i) Although CONTRACTOR will apply its professional judgment to access
21 those insurance companies it believes are best suited to insure the COUNTY's risks, there can be
22 no assurance that the insurance companies CONTRACTOR has accessed are the only or are the
23 best suited ones to insure the COUNTY's risks.

24 (ii) Any compensation of the types described above and disclosed to it does
25 not constitute a conflict of interest and the COUNTY expressly waives any claims alleging any
26 such conflict of interest.

27 (iii) The final decision to choose any insurance company has been made by
28 the COUNTY in its sole and absolute discretion. The COUNTY understands and agrees that

1 CONTRACTOR does not take risk, and that CONTRACTOR does not guarantee the financial
2 solvency or security of any insurance company.

3 (iv) The compensation payable to CONTRACTOR is solely for the services set
4 forth under this Agreement. Any additional administrative, claims representative or other services
5 (collectively, "Additional Services") will be governed by the terms of a separate agreement
6 covering the Additional Services.

7 18. ENTIRE AGREEMENT:

8 This Agreement, including all Exhibits, constitutes the entire agreement
9 between the CONTRACTOR and COUNTY with respect to the subject matter hereof and
10 supersedes all previous Agreements, negotiations, proposals, commitments, writings,
11 advertisements, publications, and understanding of any nature whatsoever unless expressly
12 included in this Agreement. In the event of any inconsistency in interpreting the documents which
13 constitute this Agreement, the inconsistency shall be resolved by giving precedence in the
14 following order of priority: (1) the text of this Agreement including Exhibits A and B; (2) the
15 COUNTY's Request for Proposal No. 964-4241, Addendums No.1 and 2, attached hereto and
16 incorporated by reference as Exhibit C; (4) the CONTRACTOR's quotation made in response to
17 COUNTY's Request for Proposal No. 964-4241, attached hereto and incorporated by reference
18 herein as Exhibit D; and 5) the CONTRACTOR's Compensation Disclosure, attached hereto and
19 incorporated by reference as Exhibit E.

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1 IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of
2 the day and year first hereinabove written.

3 ATTEST:

4 CONTRACTOR:
5 GALLAGHER BENEFIT SERVICES, INC.

6 By John J. Caraher
7 (authorized signature)

8 Print Name: John J. Caraher

9 Title: Chief Financial Officer
10 Chief Financial Officer

11 DATE: 3/6/07

12
13 By Christine D. Greb

14 Print Name: CHRISTINE D. GREB

15 Title: ASST. SECRETARY
16 Secretary (of Corporation), or any Assistant
17 Secretary, or Chief Financial Officer, or
18 any Assistant Treasurer

19 Date: 3/6/07

20 Mailing Address:
21 7910 N. Ingram Avenue
22 Fresno, CA 93711
23 Phone No.: (559) 436.0833

COUNTY OF FRESNO:

Bob Watson
Chairman, Board of Supervisors

GALLAGHER BENEFIT SERVICES, INC.
By Lela Tucker

Print Name: Lela Tucker

Title: AREA PRESIDENT
Chairman of the Board, or
President, or any Vice President

DATE: 3/7/07

ATTEST:

BERNICE E. SEIDEL, Clerk
Board of Supervisors

By Jarvis
Deputy

24
25 PLEASE SEE ADDITIONAL SIGNATURE PAGE ATTACHED
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1 REVIEWED & RECOMMENDED FOR APPROVAL

2 
3 Ralph Jimenez
4 Director of Personnel Services

5 APPROVED AS TO LEGAL FORM

6 
7 Dennis A. Marshall
8 County Counsel

9 APPROVED AS TO ACCOUNTING FORM

10 
11 Vicki Crow
12 Auditor-Controller/Treasurer-Tax Collector

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14 FOR ACCOUNTING USE ONLY:

15 ORG No.: 89250200
16 Account No.: 7295 - Professional & Sp. Serv.

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18 G:\EB\Employee Benefits\Agreements-Contracts\Gallagher consultant Agree.doc
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EXHIBIT A
SCOPE OF SERVICES

CONTRACTOR's obligations and duties to COUNTY are as follows:

1. Prepare and distribute a Request for Quotations (RFQ) and/or Request for Proposals (RFP) to current insurance carriers for renewing the provision of benefits each currently provides to active employees and retiree members (living both in and outside California) and their dependents, on a fully insured and/or risk sharing basis within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR at the beginning of each year. The COUNTY may also direct the CONTRACTOR to include language in the RFP and/or RFQ to solicit proposals from non-current carriers.

The RFQ and/or RFP shall also include, but not be limited to:

- Quotations for providing medical benefits to all eligible active employees, retirees and their dependents (a.k.a. single plan option)
- Quotations for adding a high deductible health plan option with health savings account/health reimbursement account components.
- Quotations/Proposals that include financial incentives (consumer driven health care approach). For example, participation in smoker cessation programs, health risk assessments etc.
- Quotations/Proposals for separate, stand-alone retiree health plan(s).
- Consideration of benefits and risks involved in participation in a Public Employer Coalition.

The CONTRACTOR shall provide the RFP and/or RFQ (with content/scope to be specified by COUNTY) to the COUNTY each plan year (defined below) within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR at the beginning of each year. The CONTRACTOR shall have a draft RFQ and/or RFP to the COUNTY within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR after the content/scope has been determined. The final RFP and/or RFQ shall be submitted to the COUNTY within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR after the COUNTY has reviewed and provided feedback to the CONTRACTOR.

A plan year for active employees begins on the first Monday of the pay period for which an employee receives their first paycheck in January of each year. For example, the first pay day in calendar year 2008 is Friday, January 11, 2008 which is for the pay period December 17, 2007 through December 30, 2007. Therefore, the 2008 plan year begins on December 17, 2007. The plan year terminates on the day prior to the effective date of a succeeding plan year. A plan year for retirees begins on January 1st of each year and terminates on December 31st of each year.

2. Review, analyze and present plan year claims/cost experience for self-funded pharmacy benefit including comparison with historical claims/costs data; review and analyze impact

of Medicare Part D on self-funded pharmacy benefit, and the current vendor's prescription drug plan (PDP) proposal for retirees.

The CONTRACTOR shall provide written comparative analysis as described above for each plan year within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR.

3. Complete cost benefit analysis of offering active employees the choice to forego mandatory participation in the COUNTY's health benefits plan under various scenarios as determined by COUNTY (a.k.a. opt out provision).

The CONTRACTOR shall provide written cost benefit analysis as described above for each plan year within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR.

4. Review, analyze and make preliminary recommendations to COUNTY on proposed rates, premium and benefit structures received in response to the RFP and RFQ. The review/analysis will incorporate the findings of #2 and #3 above into the following:
 - Benefit plan designs on a self-funded, risk sharing or fully insured basis (as applicable).
 - Include alternatives to current benefit plan designs such as Consumer-Driven healthcare, offering a High Deductible Health Plan (HDHP) with a Health Savings Account (HAS) or a Health Reimbursement Arrangement (HRA) and/or participation in a Public Employer Coalition.
 - Modeling to exhibit cost differentials.
 - Consideration of legislative changes, pending and proposed legislative changes, trends in health care, and trends in public and private health insurance that will or may impact benefit plan administration.

The CONTRACTOR shall provide comprehensive written reports of premium and benefit structures and recommendations as described above containing analyses, findings and recommendations, and a multi-media presentation highlighting them for use with Fresno County Board of Supervisors, Health Benefits Advisory Council and other groups designated by the COUNTY. The CONTRACTOR shall submit such reports within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR.

5. Facilitate negotiations and contract execution with selected vendors; assist in preparation and/or review of Evidence of Coverage, communication materials and Summary Plan Documents.

The CONTRACTOR shall assist the COUNTY in assuring contracts with selected medical providers, Evidence of Coverage and Summary Plan Document materials are executed in an *accurate* and timely manner.

6. Provide consultation and advise on the following administrative services:
 - Online Enrollment – web and interactive voice response
 - Consolidated Billing
 - Eligibility Maintenance – online system
 - COBRA Administration
 - Retiree Billing
 - Payroll/HRIS System Integration
 - Customized Employee Benefit Statements
7. The CONTRACTOR shall attend meetings with the Board of Supervisors, Health Benefits Advisory Council, Health Benefits subcommittee, health benefits providers, COUNTY staff and others as requested by COUNTY.
8. When it is necessary or appropriate, CONTRACTOR will utilize services of intermediaries to assist in marketing the program. These intermediaries may be affiliates of CONTRACTOR or unrelated intermediaries. Intermediaries are paid by the insurance company through premiums paid by the client. Compensation to intermediaries regarding the placement is not subject to the maximum compensation amount. COUNTY has neither the authority to approve nor the authority to disapprove CONTRACTOR's selection of intermediaries and CONTRACTOR shall indemnify COUNTY against actions of their chosen intermediaries.

The CONSULTANT shall provide written recommendations based on assessment of current administrative processes and procedures at the request of the COUNTY. CONTRACTOR shall submit such reports in a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR.

EXHIBIT B

COUNTY'S obligations and duties:

1. COUNTY will direct CONTRACTOR in preparing the content/scope to be specified in the RFP and/or RFP to current insurance carriers for renewing the provision of benefits each currently provides to active employees and retiree members (living both in and outside California) and their dependents. Upon the CONTRACTOR completing the draft RFP and/or RFQ, COUNTY will review and provide feedback to the CONTRACTOR within a reasonable time mutually agreed upon by the COUNTY and CONTRACTOR. COUNTY shall provide final approval of RFQ and/or RFP before release to potential bidders.
2. COUNTY may request consultation and advice on the following administrative services:
 - Online Enrollment – web and interactive voice response
 - Consolidated Billing
 - Eligibility Maintenance – online system
 - COBRA Administration
 - Retiree Billing
 - Payroll/HRIS System Integration
 - Customized Employee Benefit Statements
3. The COUNTY shall, with the assistance of the CONSULTANT, assure contracts with selected medical providers, Evidence of Coverage and Summary Plan Document and other Agreement materials are executed in an accurate and timely manner.
4. The COUNTY may request written recommendations from CONTRACTOR based on the assessment of current administrative processes and procedures of the County.