

MERCER

 MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

Eileen Kwei, CFA
Principal

4 Embarcadero Center, Suite 400
San Francisco, CA 94111
415 743 8964 Fax 415 743 8750
Eileen.kwei@mercer.com
www.mercer.com

Noel Polanycia
Procurement Specialist
City of Arvada
Purchasing Division
8001 Ralston Road
Arvada, CO 80001-8101

April 7, 2010

Dear Ms. Polanycia,

Please find enclosed one original hard copy of the Response to RFQ #10-110 and 3 CDs of our statement of qualifications.

If you have any questions, please feel free to call me at 415 743 8964.

Sincerely,

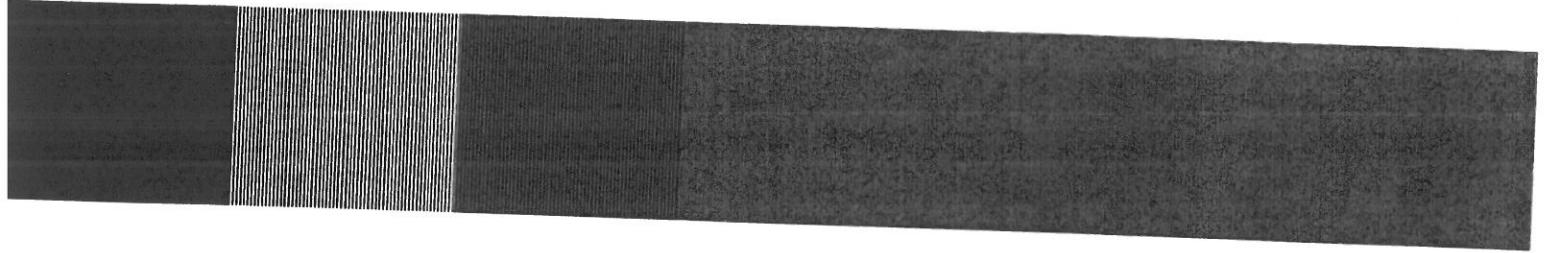


Eileen Kwei, CFA
Principal

April 7, 2010

Proposal to Provide Investment Consulting Services

City of Arvada



MERCER



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GUY CARPENTER OLIVER WYMAN

Consulting. Outsourcing. Investments.

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PROPOSAL FORM - PAGE 1

SUBMITTED BY:Company Name: Mercer Investment Consulting

Address: 4 Embarcadero Center #400

City: San Francisco

State: CA

Zip: 94111

Phone: (415) 743 - 8700

Facsimile: (415) 743 - 8950

CERTIFICATION: (If a Submission is Offered): The undersigned hereby affirms that:

- ⌘ He/she is a duly authorized agent of the Bidder;
- ⌘ He/she has read the General Terms and Conditions, the Special Conditions and any technical specifications that were made available to the Bidder in conjunction with this Bid and fully understands and accepts these terms unless specific variations have been expressly listed on the Bid Proposal Form;
- ⌘ The Submission is being offered independently of any other Bidder and in full compliance with the collusive prohibitions specified in the General Terms and Conditions of this solicitation; and
- ⌘ The Bidder will accept any awards made to them as a result of this Solicitation for a minimum of ninety (90) calendar days following the date and time of the bid opening.

By: Eileen Kwei 4/7/2010
Manual Signature of Agent DateEileen Kwei
Typed/Printed Name of AgentPrincipal
Title of Agent**Include Original with Submission Affix**

Manual signature of authorized agent.

NO OFFER:

Indicate reason(s) why no offer is being submitted at this time.

Not applicable

PROPOSAL FORM - PAGE 2**PROMPT PAYMENT TERMS:**

Discount: _____ % _____ Days

Net: _____ Days

VARIATIONS:

The Bidder shall identify all variations and exceptions taken to the General Terms and Conditions, the Special Conditions and any Technical Specifications in the space provided below; provided, however, that such variations are not expressly prohibited in the Bid documents. For each variation listed, reference the applicable section of the bid document. If no variations are listed here, it is understood that the Bidder's Proposal fully complies with all terms and conditions. It is further understood that such variations may be cause for determining that the Bid Proposal is non-responsive and ineligible for award:

Page #: 8 of 19 Item # or Section: Section 8.G

Variance: We would request that the successful Bidder not be liable to the City for any excess costs incurred by the City in re-procuring the materials or services, or for costs associated with the re-solicitation effort.

Exception 2:

Page #: 9 of 19 Item # or Section: Section 10.A

Variance: We would request that the successful Bidder be afforded a thirty day period within which to cure any failure to perform before the City can exercise its right to terminate the contract.

Exception 3:

Page #: 11 of 19 Item # or Section: Section 6.G

Variance: The successful Bidder should only be responsible for reasonable attorney fees, and the indemnification for property damage should only apply to tangible property. We would request that the entire indemnification provision be revised so that the successful Bidder's indemnification obligation only extend to losses proximately caused by the gross negligence, bad faith or fraud of the successful Bidder in the performance of services under the Agreement. In no event should the successful Bidder be liable in connection with the services or the Agreement for any losses resulting from: (i) acts or omissions by any investment manager, custodian or other third party, (ii) any inaccuracy or incompleteness of the data to be provided by or on behalf of the City, or (iii) indirect, special, punitive, consequential or incidental damages.

Exception 4:

Page #: 11 of 19 Item # or Section: Section 6.H

Variance: We would request the inclusion of language reflecting the parties' agreement (i) to a bench trial for any legal proceeding and waiver of their respective rights to a jury trial; (ii) not to include any employee, officer, director or trustee of the other as a party in any action, proceeding or counterclaim relating to such dispute; and (iii) that any suit arising between the parties out of the Agreement be tried in a Federal or State court in the State of Colorado.

Exception 5:

Page #: General Item # or Section: General

Variance: If awarded a contract with the City, we would expect the ability to propose certain of our standard terms and conditions, provided that they do not conflict with the terms and conditions of the RFQ, addressing such topics as our intellectual property rights, your ownership and use of our work product, and your acknowledgement of receipt of our Form ADV Part II.

PROPOSAL FORM - PAGE 3

REFERENCES: (MANDATORY)

B) Expression of Interest

Mercer Investment Consulting (Mercer) is delighted to submit our response to the City of Arvada's request for proposal to provide investment consulting services. Mercer is a full-service consulting firm with more than 35 years of experience, and offering a complete range of investment consulting services for defined contribution plans, from strategic planning, implementation, on-going monitoring and evaluation, to research and education.

We have the capability and resources to complete all of the services outlined in the RFQ. By the submission of this proposal we intent to perform all services proposed in the RFP. Should our proposal be accepted, we agree to enter into a contract under the terms and conditions set forth in the RFQ with the exceptions of those listed in "Proposal Form-Page 2" of this submittal.

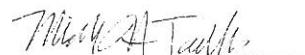
Our proposed investment consulting approach to the City of Arvada 401(a) and 457 Plans and relevant capabilities are described in detail in the following sections. The proposal summarizes our investment consulting capabilities, the depth and strength of our consulting staff, our commitment to provide independent and unbiased advice, and our significant presence in the global marketplace. Our proposal is constructed in the requested format and responds directly to each of the requested items outlined in your RFQ.

We appreciate your consideration of Mercer's proposal and hope to have the opportunity to review Mercer's capabilities with you in greater detail. If you have any questions or need additional information, please contact us.

Sincerely,



Eileen Kwei, CFA
Principal
415-743-8964
Eileen.kwei@mercercorp.com



Michael Tadlock, CFA
Principal
415-743-8826
Michael.tadlock@mercercorp.com

C) Business Description

1. Brief background

Mercer is a global provider of investment consulting services, and offers customized guidance at each stage of the investment decision, risk management, and investment monitoring process. We have been dedicated to meeting clients' needs for more than 35 years, and work with the fiduciaries of retirement plans, foundations, endowments and other investors in more than 40 countries.

History

Started in the United States in 1937 as the employee benefits department of Marsh & McLennan, Inc., our parent company took the name of "William M. Mercer" in 1959, when Marsh & McLennan acquired William M. Mercer Limited, a Canadian firm founded in 1945. William M. Mercer Investment Consulting, Inc. was created as a separate entity in the United States in 1972 to provide investment advisory services. In 1975, Mercer became a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. In 2007, our parent company changed its corporate name to Mercer Human Resource Consulting, Inc., and we rebranded ourselves as Mercer Investment Consulting, Inc. On September 12, 2007, our parent company changed its name to Mercer (US) Inc. and we rebranded ourselves as simply "Mercer".

2. Location(s), size, structure, resources, website

Locations

Worldwide, Mercer's investment consulting business is located in 50 offices in Asia, Australia, Canada, Europe, Latin America, New Zealand, the UK and US. In the US, Mercer Investment Consulting has additional offices in Atlanta, Boston, New York, Dallas, Los Angeles, Richmond, Philadelphia, Princeton and Washington. These offices primarily employ professionals who work directly with clients. City of Arvada would be serviced from Mercer's San Francisco investment consulting office.

Size

Mercer's investment consulting business has more than 900 employees worldwide as of December 31, 2009. In the US, Mercer employs 238 individuals including 101 investment consultants who are responsible for the day to day management of the client relationship.

Structure

Mercer's investment consulting business is an autonomous unit within Mercer LLC, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc. (MMC). In the US, the investment consulting business is operated through Mercer Investment Consulting, Inc., a wholly-owned subsidiary of Mercer (US) Inc., the US operating unit of Mercer LLC.

Resources

Mercer takes a holistic approach to defined contribution plan consulting that extends beyond just investment monitoring. Our goal is to ensure that the City of Arvada as fiduciaries has sound governance structures and plan management tools in place. To that end Mercer employs many specialist resources that our clients have direct access to.

Our objective is to provide clients with in-depth analysis and proactive advice on the wide range of issues they are facing in a world that continues to become more complex. We believe the City of Arvada will benefit from the knowledge and advice each specialist group provides in areas such as:

Plan design consulting – As part of Mercer US we are able to work closely with consultants in our retirement business. We can draw on their expertise for questions regarding plan design and governance. Our Public Sector Defined Contribution group works with 457 and 401(a) plans, focusing on issues of governance and administration specific to their needs.

Manager Research and Selection – We devote 10-15% of our annual revenue to technology and investment research on asset managers and the capital markets, to help support our recommendations to our clients. As of December 31, 2009, more than 80 full-time Mercer manager research professionals investigate investment managers to identify strategies that we believe have the potential to offer superior risk-adjusted performance to our clients.

Thought Leadership – We keep our clients apprised of issues within the capital markets, both through on-going interactions and with white papers, perspectives and surveys throughout the year. Mercer's US Investment Policy Committee is composed of senior consultants who discover opportunities to enhance our thought leadership and to examine how to improve client results.

Investment Operation Advice – Our Mercer Sentinel® Group is a highly specialized research unit responsible for advice pertaining to investment operations and administration in order to help clients minimize risk and reduce costs. Services include trustee/custodian evaluations, securities lending, master trust design and implementation, fund accounting, foreign exchange services, fee benchmarking, trade cost analysis, commission recapture, and transition management.

Regulatory and Legislative Updates – Mercer's Washington Resource Group (WRG) is a US legal resource group of over 35 lawyers, legal professionals, and information specialists. The WRG assists Mercer clients and consultants in developing innovative plan designs, addressing technical legal issues, assuring operational plan compliance, and providing government relations expertise on a wide range of retirement, health, compensation, and other human resource topics.

Website

www.mercer.com

3. Major services and expertise

Mercer has been providing investment consulting services since our inception in 1972.

Mercer is a global provider of investment consulting services, and offers customized guidance at each stage of the investment decision, risk management, and investment monitoring process. The investment consulting services that we offer includes:

- Governance
- Defined contribution program consulting
- Investment structure evaluation
- Investment philosophy and principles
- Manager selection
- Investment operations custodial consulting

- Performance monitoring and evaluation
- Proprietary research, software, and databases
- Training and investor education
- Responsible investing

4. Number of current clients

In the US, Mercer has [REDACTED] retainer clients with aggregate assets under advisement of [REDACTED]

5. Disclose any business association with any investment provider or financial product vendor by which your firm is compensated

Mercer is a business unit within MMC. MMC is a large, diversified financial services company, which employs approximately 55,000 employees across more than 100 countries and territories. Mercer's investment consulting business itself serves more than 1,700 clients across more than 40 countries.

As such, certain investment managers whose strategies are rated, reviewed, or recommended by Mercer may, in the ordinary course of business, also be clients, or affiliated with clients, of Mercer or its affiliates. Mercer may sell certain software and other services to investment management firms. These relationships have no connection with Mercer's research or recommendations of investment managers to clients.

Prior to 2010, Mercer's US investment consulting services to investment managers and their affiliates primarily consisted of traditional investment consulting services, which typically relate to the assets of the firm's retirement plans; or the evaluation of subadvisors for mutual funds or separately managed wrap accounts for retail or high net worth clients. In 2010, Mercer relaunched our Global Investment Forum in the US. The proportion of our revenue derived from these activities is small.

Mercer believes it has taken appropriate steps to minimize or eliminate the likelihood that its recommendations of investment managers to clients will be influenced by other business relationships those investment managers or their affiliates may have with Mercer or its affiliates. Among other things, Mercer has taken the following steps to address these potential conflicts:

- Mercer's manager research and selection activities follow a defined process that includes evaluations by its Ratings Review Committees worldwide and the documentation of findings and decisions. At no time during the rating or selection process is the status of a manager or its affiliates as a consulting client of Mercer or a client of its affiliates considered.
- None of Mercer's manager research staff receive any form of compensation that is directly linked to services provided to managers or their affiliates. Compensation is linked to the overall business results of Mercer and its parent company, and, in the case of the Manager Research staff, to the performance of the ratings and recommendations made by Manager Research.

If a subscription to Mercer's software or forums is sold to an investment manager client, the client is specifically told that its purchase will not result in any preferential treatment by Mercer in its evaluation or selection of any investment product.

Mercer issues bills directly to clients and does not accept soft-dollar payments.

D) Experience

Your firm's experience in providing consultation services for 401a and 457 plans, in particular for governmental entities.

Mercer has been providing investment consulting services to defined contribution plans since our inception over 35 years ago. In the US, Mercer works with 201 defined contribution plans with over \$435 billion in assets under advisement as of December 31, 2009. Of which, 49 are public sector/government entity clients, including six 401(a) plans and sixteen 457 plans.

E) Staff Qualifications

Name and qualification of staff member(s) that would be servicing the city, include resumes. Include any professional certifications.

Eileen Kwei, CFA and Michael Tadlock, CFA will be the key consulting professionals for the City of Arvada. They will be the strategic investment consulting advisors and oversee the relationship. These professionals will have responsibility for the quality of investment consulting services and will be the day-to-day, "in-front" consultants to the City of Arvada.

When expertise is required on certain topics, this core team will marshal the specialty resources within our firm. One such example is Andrew Ness, who will serve as an expert resource with regards to the administration and regulation of public 401(a) and 457 plans.

Eileen Kwei, CFA is a principal in Mercer Investment Consulting's San Francisco office. Eileen works with a variety of plan sponsor clients across the western region, including corporate and public defined contribution plans, defined benefit plans and endowments/foundations. She assists clients with all types of projects, including asset allocation and liability studies, plan investment structure, manager/mutual fund searches, development of performance evaluation reports, and investment policy statements.

Prior to Mercer, Eileen worked for Callan Associates, Inc. for more than eight years. Eileen received a Bachelor of Arts in Economics with a minor in Business Administration from the University of California at Berkeley. She is a CFA Charterholder, and a member of the CFA Society of San Francisco and the CFA Institute.

Michael Tadlock, CFA is a principal in Mercer's San Francisco office. Michael works with a variety of plan sponsor clients across the western region, including corporate and public defined benefit plans, defined contribution plans and endowments/foundations. He assists clients with all types of projects, including asset allocation and liability studies, plan investment structure, manager/mutual fund searches, development of performance evaluation reports, and investment policy statements.

Prior to Mercer, Michael was employed by Callan Associates, Inc. for more than nine years. Michael received a Bachelor of Science in Accounting from San Diego State University. He is also a CFA Charterholder, and a member of the CFA Society of San Francisco and the CFA Institute.

Andrew Ness is a principal and senior consultant in Mercer's Richmond office. He is part of Mercer's Public Sector and Non-Profit Defined Contribution business group. Andrew provides consulting, technical reviews, vendor selection, management reports and implementation services to employers, as well as technical assistance to other consultants.

Andrew has twelve years experience working with public sector defined contribution plans, and has worked for Mercer since 2002. Recent projects include searches for an administrative provider for one of the country's largest state sponsored IRC Section 457 plans, as well as providing plan reviews for City and County defined contribution plans. Andrew has authored articles on the RFP process and was a panel speaker at the 2009 National Association of Governmental Defined Contribution Administrators conference on the topic "Revenue, Expenses and Disclosure."

Andrew received his BA in economics from the University of Richmond. He is pursuing the designations of Certified Retirement Counselor and Certified Retirement Administrator from the International Foundation for Retirement Education.

F) Custom Service

Identify the objectives your firm has for servicing its clients.

Mercer works collaboratively with clients, establishing an interactive and creative approach that underlies all our consulting relationships. This approach includes:

Focusing on client needs - Our clients are best served by qualified and experienced consultants who are able to develop innovative solutions, while balancing tried-and-true approaches, in order to determine an appropriate solution for an organization's unique needs and objectives. Thus, we recommend practical, proven and innovative solutions, as appropriate.

An emphasis on problem solving - Our business is to provide advice, not to develop and sell off-the-shelf products. We treat our specialized services and systems as a means to develop solutions to specific problems – not as commodities to be sold to clients. By focusing first on the client's goals and objectives, we are better positioned to tailor an approach that best meets our clients' needs.

Quality assurance - We seek to ensure the quality and accuracy of our consulting advice and services through a formal system of professional standards. All work Mercer performs for clients is peer reviewed by a second senior consultant to help ensure its accuracy and appropriateness.

Timeliness - We are keenly aware that efficient management of any project means making information available on a timely basis. We are committed to the punctual delivery of our services and draw on a wealth of internal resources to accomplish this.

Proactive consulting - Our consultants take a proactive approach to service, anticipating problems and identifying opportunities for resolution. Our most experienced professionals, well-versed in the complex and changing aspects of the benefits environment, work with clients to help build an effective process for managing their programs. Our consultants are continually educated in their consulting disciplines as well as on issues outside their specialty.

G) Response to Anticipated Scope of Work

Address how your firm performs such tasks as listed in paragraph 2 of the Scope of Work.

Mercer has been working with defined contribution plans since their inception over 30 years ago. We advocate a structured oversight process across all facets of the defined contribution program, including design, investments, compliance and administration. Our consulting services are built around this process, and are designed to enhance defined contribution plans by focusing on the following objectives:

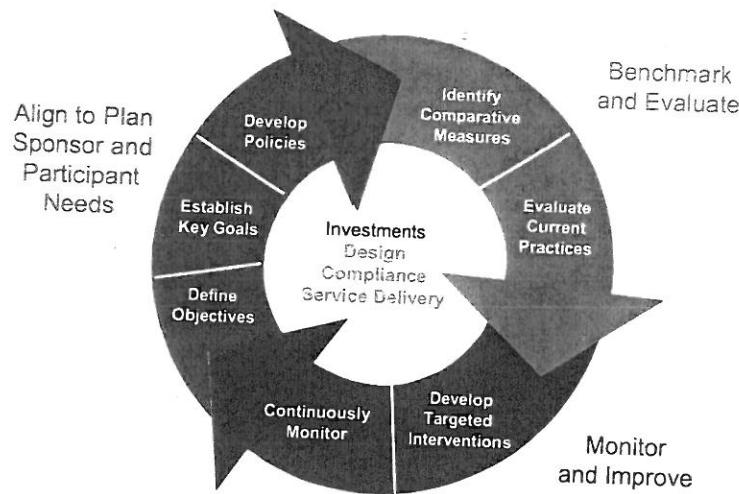
- Enable participants to maximize wealth accumulation opportunities and retirement readiness;
- Improve participant satisfaction with plan investment options;
- Help fiduciaries (named fiduciaries, managers, trustee, etc.) comply with applicable state and federal laws, regulations, and rulings that relate to the administration and investment of plan assets through the latest best practices in governance;
- Provide proactive services to manage financial relationships with vendors (i.e., record keeper, trustee, managers, etc.), including ways to maximize the value of these relationships and reduce costs for participants; and
- Assume fiduciary status for the investment advice that we provide to help ensure alignment of interest with our clients and their participants.

Based on work with over 200 defined contribution clients, we have found that the most successful DC programs use a three step plan management process.

Align to Plan Sponsor and Participant Needs. Ensure that the Plan supports participants by confirming or determining investment philosophy, establishing key goals, and developing policies to evaluate whether goals have been achieved.

Benchmark and Evaluate.
Benchmark and evaluate the current investment structure based on investment philosophy, goals, and policy.

Monitor and Improve. Monitor to ensure that goals and objectives continue to be met and take any corrective action to improve the Plan.



The services typically performed for our retainer clients associated with the process illustrated above are:

- **Investment Policy development** - Development of the investment policy is a core capability of Mercer. Mercer's Research & Policy Committee has developed "best

practice standards" and model investment policy statements for participant-directed defined contribution plans. These "best practice standards" and model investment policy statements have been derived from the intellectual capital of Mercer consultants with input from our internal benefits attorneys and external attorneys.

Generally, we find "best practice" policies include the following components:

- Purpose of the plan from a planning, operations and control standpoint;
 - Objectives of the plan – articulates the investment philosophy and strategy;
 - Structure of the Plan's investments – provides rationale for the investment option categories offered;
 - Profiles of the investment option categories – defines primary investments, and expected risk and return characteristics;
 - Investment option performance standards (indices and style group comparisons);
 - Responsibilities of participants of the plan; and
 - Responsibilities of fiduciaries (e.g., board members, investment managers, trustee and investment consultant) and non-fiduciaries (e.g., recordkeeper/third party administrator).
- **Investment Structure Evaluation** – The design of an investment structure for a defined contribution plan typically revolves around providing an adequate number of options with different risk/reward characteristics so that each participant can create a portfolio that suits their needs. It is important to offer enough options to provide choice while at the same time not overwhelming participants with too many options.

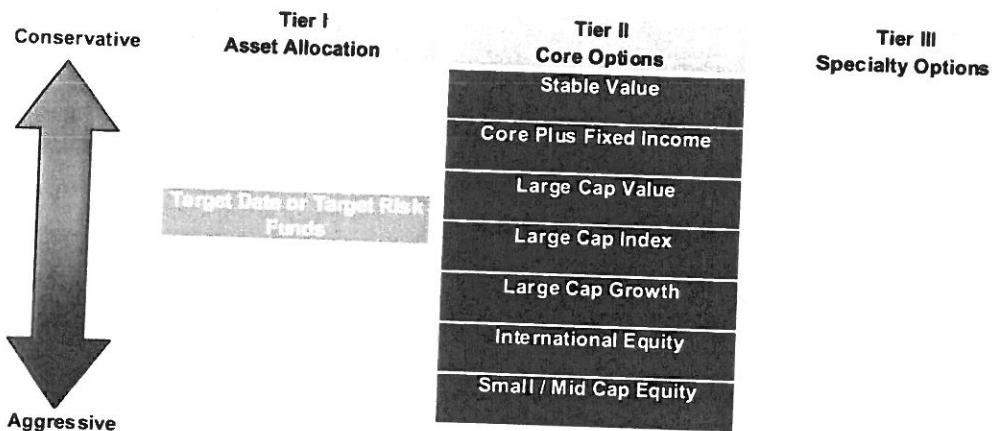
Mercer advocates a three-tier approach to constructing an investment structure:

Tier I – Tier I would consist of asset allocation (balanced) funds; either a suite of target date funds or a suite of target risk funds. These funds appeal to participants lacking the desire, time, or ability to construct a customized portfolio.

Tier II – This tier is comprised of an array of options across the risk spectrum and offers a choice of passive and active management. This tier is designed to provide the basic building blocks appropriate for participants wanting to build their own portfolio based on personal preferences, time horizon, and risk/return expectations. Generally this tier consists of Stable Value, Fixed Income, Large Cap Value, Large Cap Core, Large Cap Growth, International Equity, and Small-Mid Cap Equity.

Tier III – This Tier is used for specialty asset classes, such as High Yield, TIPS, Socially Responsible, and Brokerage/Mutual Fund Windows.

The graph below illustrates how we would build an investment structure utilizing this three tier framework if we were starting from scratch and given a "clean-sheet" approach.



- **Investment manager / fund research & selection** - Mercer employs more than 80 dedicated research staff, full-time manager research personnel globally dedicated to evaluating and monitoring investment managers / funds. Consultants also provide support to the manager research process, typically in conjunction with client work. This includes meeting with managers during the search process and participating in due diligence reviews for their clients' managers. So, while there are over 80 members of the manager research group, over 100 consultants contribute to our manager research efforts on a part-time basis. We conduct more than 2,500 manager research meetings annually.
Our research consultants evaluate an investment strategy both quantitatively and qualitatively. Initially, they analyze all strategies using a quantitative review process to gauge whether performance resulted from skill or luck. We also perform detailed, quarterly performance attribution analysis on all of our clients' managers, customized to meet their needs and requirements.

Quantitative Review

We focus on many different quantitative measures including the following measures that we feel are critical to understanding manager performance:

- Alpha (the excess return the manager historically added over an appropriate benchmark) measures whether the manager has skill in managing assets in a particular asset class. We also evaluate down-market alpha, or a manager's ability to add value in down markets to help clients gauge how well a manager protects assets in a declining market.
- Batting average measures the percentage of time a manager outperformed its benchmark over a given period, thus indicating performance consistency.
- Sharpe ratio measures the degree to which volatility of performance is compensated by additional return. A higher Sharpe Ratio means that the manager is achieving greater performance per unit of volatility (i.e., risk). We analyze both historical and expected Sharpe ratios. We relate a strategy's Sharpe ratio to its stated objective in order to ascertain if the investment process meets client expectations.

We employ several tools to assist in our evaluation of a strategy's return/risk characteristics.

- **Manager Performance Analytics** (Mercer MPA[®]) provides analysis on a variety of measures including: excess return over rolling time periods, risk characteristics

(tracking error and standard deviation), returns consistency, information ratio, confidence of value added, correlation of returns analysis, and performance in up/down markets. This system evaluates a strategy's performance and risk characteristics relative to its appropriate peer group (large value, large growth, large core, etc.) and benchmark.

- **Style Research Portfolio Analyzer** provides a clear view of a single or combined portfolio's composition with respect to the style factors influencing performance in each market. This software package enables us to analyze portfolios at the security level.

Qualitative Review

During an onsite visit, our research consultants conduct a detailed review of the manager's organizational structure, meet with key decision-making personnel, review the investment process and procedures, evaluate resources available to the professional staff, review compensation practices and ownership structure, and identify communication methods used to share ideas and information.

In evaluating investment managers, we analyze a full range of factors starting with how investment ideas are generated by the manager to the ultimate implementation of those ideas. Embedded in our process is an in-depth evaluation of firm-wide issues that have a major impact on how well the investment team functions within a specific firm environment.

We believe that these factors encompass the qualities that investment managers need to be able to do well in order to have strong prospects for outperforming. Each of these factors are rated as either Negative (-), Neutral (=), Positive (+) or Very Positive (++) . Our overall strategy ratings are derived based on an overall research opinion. They do not represent a weighted average of the four factor scores.

The four factors correspond to a set of four core beliefs about the key drivers of investment performance as follows:

- **Idea Generation** - A manager must be able to generate value-adding investment ideas. It is the quality and breadth of these ideas that are key drivers for long-term success.
- **Portfolio Construction** - The quality of a manager's portfolio construction process will determine how effectively its value-adding investment ideas are converted into consistent outperformance. Key elements are how well the manager calibrates active positions in the portfolio, the extent to which these reflect the manager's highest conviction ideas and how well they manage risk.
- **Implementation** - The value added through its investment ideas and portfolio construction process must outweigh the drag on its performance due to transaction costs.
- **Business Management** - Well managed investment firms are more likely to maintain and enhance the competitiveness of their investment strategies over time than poorly managed firms.

Ratings Process

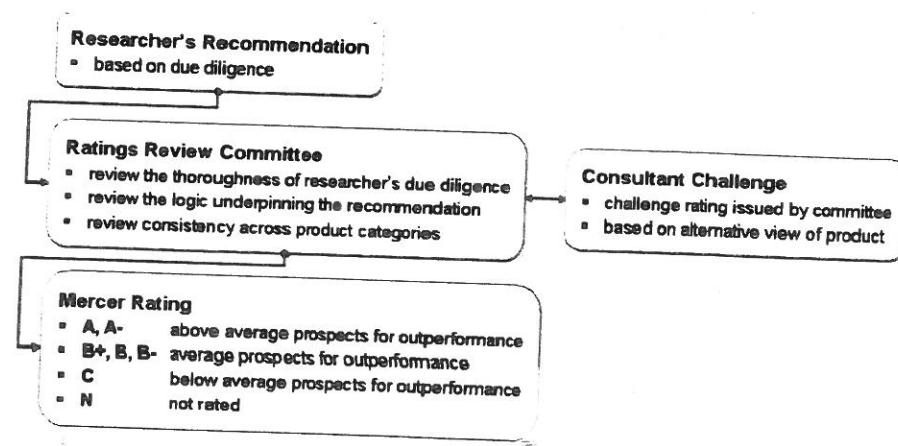
Mercer's formal ratings review process ensures a high-quality selection of managers for the search process and for the continual evaluation of client portfolios. Our objective is for

each strategy to outperform its benchmark on a risk-adjusted basis over the next three to five years.

To help accomplish our objectives, we have implemented Ratings Review Committees (RRC) to review strategies worldwide. Each committee is comprised of selected senior consultants and research professionals who are responsible for establishing and monitoring strategy ratings. Each strategy in our database is judged on rigorous quantitative screening criteria and a qualitative assessment by this experienced, senior group. In conjunction with the US Ratings Committee, the International Ratings Review Committee (IRRC) comprises of senior manager researchers and investment consultants drawn from our Australia, Canada, UK and US offices.

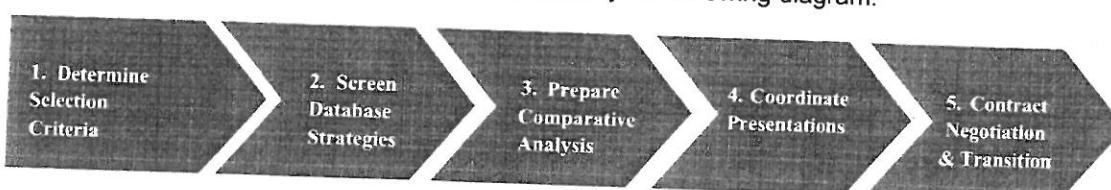
Each committee holds quarterly conference calls to review all ratings for their respective strategies. The performance of Mercer "A" rated managers is reviewed against performance expectations given the market environment. Additional calls are held more frequently if circumstances warrant our immediate attention.

The following diagram highlights the process Mercer follows to arrive at an appropriate rating.



Manager Search Process

Our manager search process is best depicted by the following diagram:



1. We begin by working with clients to determine appropriate manager selection criteria. In some cases, clients wish to participate in the initial meeting with the research consultants to discuss potential candidates and how they might fit within the existing manager structure. Specific issues discussed include:

- Vehicle type and share class;
- Degree of alpha potential and tracking error;
- Guidelines; and

- Cash flow requirements and fee sensitivity.
 - 2. Products given the highest rating – “A” – are those recommended for searches. During the manager search process, a client’s consultant generally works directly with the research consultants to select from the list of “A” rated products based upon the specific client criteria as determined in Step 1. The selected subset of “A” rated products comprises the initial candidates in an investment manager search.
 - 3. After managers are selected, a comparative analysis report is reviewed which includes an analysis of various return/risk metrics over multiple time periods, qualitative summary of the manager’s investment process and key observations and statistics on the organization.
 - 4. Once finalists are selected, Mercer coordinates finalist interviews.
 - 5. The final component is assisting in the implementation of the final selection. Our main goals are to ensure a seamless transition and to minimize operational risk inherent in providing a new investment option.
- **Performance measurement and evaluation** - Performance measurement is another Mercer core capability. The management of a plan is a continuous process and is not limited to providing a quarterly performance report. Our ongoing performance evaluation includes comprehensive periodic performance evaluation reports, ongoing due diligence on the plan’s investment managers and ongoing investment consulting services.
- Mercer monitors performance of investment options relative to benchmarks, report on events taking place within investment management firms that could impact future performance, and review investment trends occurring within the defined contribution marketplace. We evaluate historical risk-adjusted returns over varying time periods versus relevant benchmarks, correlation of Plan options with each other and index benchmarks, and style analysis. Mercer also provides qualitative analysis on each option, including an assessment of the investment process and team. We assess the performance of the Plan’s investment options against appropriate indices and style groups, ensuring the mutual funds/managers fulfill the mandates for which they were hired.

Our performance measurement report includes three main sections.

SECTION 1: Economic and Capital Market Environment Analysis - A summary of the economic and capital market environment.

SECTION 2: Management Summary - A concise narrative highlighting key observations, recommendations pertaining to the investments (i.e., structure, options, investment policy guidelines, etc.) and investment manager organization issues and updates.

The following components are usually contained in this section of the report:

- **Plan Assets:** Assessment of asset growth in the Plan along with a review of contributions/withdrawals and participant net transfer activity. This analysis provides an understanding of how participants are utilizing the investment options.
- **Investment Performance:** Review of how the investment options performed relative to performance standards outlined in the investment policy statement(s) on a quarterly and long-term basis.
- **Key Observations and Recommendations:** Summary of issues and recommendations to be considered by the Committee.

- **Marketplace Trends:** Discuss trends, litigation or regulatory actions that the Committee should take into consideration when reviewing the investment options in the Plans.
- **Investment Manager Organizational Issues:** Commentary highlighting significant investment manager events (positive and negative) and the implications on future performance.
- **Key Charts and Graphs:** Pertinent graphs and tables that visually show the investment structure utilized, asset allocations, investment expense analysis, investment option compliance vs. guidelines, performance relative to primary indices and peer group medians and style analysis.
- **SECTION 3: Fund Profiles** - Detailed analysis on each investment option. Each profile includes the following:
 - **Investment Philosophy** – Outlines the objectives of the investment option
 - **Portfolio Analysis & Key Observations** – Provides a quarterly review of primary factors that had a positive or negative impact on performance relative to an index
 - **Key Facts & Figures** – Name of investment manager, name of portfolio manager, tenure, expense ratio, total assets, etc.
 - **Detail Performance and Analytical Charts** – Additional performance charts (rolling style analysis, peer group comparisons, risk/return metrics, excess return over rolling periods, etc.)
- **Research & Education** - Mercer realizes that a successful partnership depends on informing our clients of new issues and trends globally. Thus, we communicate directly with our clients and continually disseminate information to our consultants for use in their client work, employing a variety of methods to keep clients and consultants current on relevant developments. Tools which serve to keep clients aware of industry and market trends include:

Mercer Publications

Clients receive several publications from Mercer designed to keep them up to date on economic and industry trends that could impact their Funds. In addition to the ad-hoc updates as described Mercer consultants and researchers publish white papers and articles which are shared with clients. Below is a list of recent articles.

Date	Title
January 2010	Top 10 New Years Resolutions for DC Plans
October 2009	Recapitalization & recovery in the REIT market
October 2009	Target Date Fund Asset Allocation
September 2009	Introduction of Barclays Capital U.S. Aggregate Float Adjusted Index
September 2009	Quarterly hedge fund update: The only constant is change
September 2009	Barclays Capital - Index Float
September 2009	The Public-Private Investment Partnership
July 2009	Improving Target Date Lifecycle Funds
July 2009	DC Connections – Unprecedented times for DC plans

Date	Title
July 2009	Riders on the storm – Re-examining the case for boutique managers
June 2009	How does your retirement plan stack up?

Mercer's Washington Resource Group (WRG)

- Covers legislative and regulatory developments
- Undertakes tax, ERISA, and other technical analyses
- Assists in the development of innovative plan designs and benefit strategies
- Provides government relations assistance on matters affecting a wide range of benefit and compensation plans, including 401(k), defined contribution, defined benefit, non-qualified deferred compensation, health, retiree health, and cafeteria plans

Through participation in client-specific projects and Mercer-wide reporting, technical analysis, and professional development efforts, the WRG helps to ensure that Mercer's client work meets current legislative standards and requirements and the highest quality standards.

Investment Training

Mercer offers clients education through a variety of media and settings. On a larger scale, we host periodic client conferences and web seminars, addressing current topics of interest. On a smaller scale, we can provide education sessions that are individually tailored to meet a clients specific needs.

Mercer holds periodic client conferences around the world. The goal of these events is to share intellectual capital with clients on a variety of subjects, offering educational sessions and opportunities to meet Mercer's thought leaders. The 2010 Americas Investment Forum will be held in San Francisco on January 28-29, 2010. The theme for the 2010 Forum is "From Chaos Comes Opportunity". Attendees will hear how institutional investors have adapted to the changing marketplace. Senior Mercer investment consultants and guest speakers will discuss asset allocation strategies, emerging market challenges and new opportunities in alternatives.

In addition to client conferences we also host roundtables at local offices and web briefings for clients on topics of interest. As an example, in December 2009 Mercer hosted workshops in Santa Clara and San Francisco focused on Defined Contribution Investment Planning for 2010.

H) Litigation

Identify any pending litigation, include a brief description.

The only legal action against Mercer Investment Consulting, Inc. in the last five years was a case brought in the Northern District of Georgia by the New Orleans Employers International Longshoremen's Association, AFL-CIO Pension Fund, alleging breach of fiduciary duty. On June 25, 2009 the Court, after trial, ruled in Mercer Investment Consulting, Inc.'s behalf, finding the plaintiff's claims without merit and entering judgment for Mercer Investment Consulting. The plaintiff is currently appealing this decision.

In the ordinary course of business, Mercer is involved with litigation and other legal proceedings, investigations and inquiries, some of which are conducted on an industry-wide basis. Based on information currently available, the outcomes of currently pending litigation, investigations and inquiries are not expected to have any material adverse effect upon Mercer or its ability to service its clients. In December 2007, the Alaska Retirement Management Board filed a civil lawsuit against Mercer (US) Inc., a sister company of Mercer, in Alaska state court. An amended complaint was filed in May 2009. The amended complaint alleges professional negligence and malpractice, breach of contract, breach of implied covenant of good faith and fair dealing, negligent misrepresentation, unfair trade practices and fraud and misrepresentation related to actuarial services that Mercer provided to the Alaska Division of Retirement and Benefits relating to the Alaska Public Employees Retirement System and the Alaska Teachers Retirement System. Details regarding certain outstanding legal proceedings pertaining to Mercer and its affiliates are disclosed in the public Securities and Exchange Commission filings of Marsh & McLennan Companies, Inc., Mercer's ultimate parent company. <http://irnews.mmc.com/phoenix.zhtml?c=113872&p=irol-sec>

I) Insurance

Professional Liability and General Liability Insurance coverage and limits and carrier information.

Mercer is covered under a comprehensive insurance program designed by our parent company, MMC. The insurance program provides limits of coverage that meet or exceed usual and customary standards of insurance for similar firms insuring similar risks.

Mercer currently maintains the following insurance coverage:

- **Errors and Omissions (E&O) (aka Professional Liability)** -- The company's professional liability insurance coverage is provided by Epsilon Insurance Company, with liability limits of \$10,000,000 per claim.
- **Commercial General Liability** -- Mercer's commercial general liability coverage has limits of liability of \$2,000,000 combined single limit per occurrence and \$4,000,000 in aggregate.
- **Automobile Liability** -- Mercer's automobile liability coverage for owned, hired and non-owned vehicles has limits of liability of \$5,000,000 combined single limit per accident for bodily injury and property damage.
- **Workers' Compensation and Employers Liability** -- Mercer maintains workers' compensation coverage as required by state law and Employers liability limits of liability of \$2,000,000 per accident.
- **Fidelity Bond** -- Mercer's Fidelity Bond coverage is provided by Vigilant Insurance Company with liability limits of \$10,000,000 per loss.

J) Contract

Standard contract document, if any, that might apply to an agreement with a public entity. Final contract document and format to be determined by the City during negotiations.

A sample engagement letter is included in the following pages.

We are delighted to have the opportunity to work with [Insert name of Client Company] (“you” or “Client”). The purpose of this letter of engagement (“Agreement”) is to set forth the terms governing the services provided to you (“Services”) by Mercer’s operating companies, Mercer (US) Inc., Mercer Investment Consulting, Inc. and/or Mercer Health & Benefits LLC (in each case, solely with respect to the services it (“Mercer” or “we) provides to you).

Statement of Work

Each statement of work (“SOW”) attached hereto must specify at a minimum: (1) our respective responsibilities with respect to the Services; (2) the information and data we will need in order to perform the Services; (3) any time constraints on the performance of the Services; and (4) the compensation we will receive for performing the Services. To the extent a SOW has been delivered to and accepted by you prior to the execution of this Agreement, such SOW shall be subject to the terms of this Agreement. For purposes of this Agreement, the term “Agreement” shall include any SOWs.

Terms and Conditions Governing Engagement

Our performance of the Services (whether provided pursuant to a written SOW or not) are subject to the following terms:

6. Payment Terms:

- A. We will perform the Services in consideration of your payment of our compensation. Our compensation for the Services, such as professional fees, commissions or other amounts payable to us (“Compensation”) will be set forth in the applicable SOW or as otherwise agreed. In addition to our Compensation, we will also bill monthly for our reasonable expenses. You will be responsible for any sales, value added taxes or similar taxes related to the performance or receipt of the Services, including those taxes assessed by authorities subsequent to payment for the Services.
- B. Invoices are due and payable within thirty (30) days of the date of the invoice. If any invoice is not timely paid, we may exercise our right to claim interest for late payment as permitted by applicable law. If any invoice remains unpaid for 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 Agreement and/or any SOW with immediate effect.
- C. If we become involved (whether or not as a party) in a dispute (including audits or investigations) between you and a third party (including a governmental entity), or if we are asked to preserve records relating to the Services or this Agreement, including where Mercer is requested to preserve documents, electronically stored information, back-up tapes or other media beyond its standard recycling or retention protocol, beyond the scope of Services described in the applicable SOW, these additional services will be documented in a SOW. If no SOW or other agreement is reached on these additional services, you agree to pay us at our then

current standard rates for all our time spent, and will reimburse us for all reasonable expenses incurred by us, in connection with such dispute or such documentation preservation request. We will reimburse such payments in the event and to the extent such dispute is finally determined by a court to have resulted primarily from our negligence, conduct in bad faith or fraud.

7. Instructions; Provision of Information and Assistance:

You will provide all necessary and reasonably requested information, direction and cooperation to enable us to provide the Services, and any direction (whether verbal or written) shall be effective if contained expressly in the applicable SOW or if received (whether verbally or in writing) from a person known to us or reasonably believed by us to be authorized to act on your behalf. You agree that we shall use all information and data supplied by you or on your behalf without independently verifying the accuracy, completeness or timeliness of it. We will not be responsible for any delays or liability arising from missing, delayed, incomplete, inaccurate or outdated information and data, or if you do not provide adequate access to your employees, agents or other representatives necessary for us to perform the Services. We will be entitled to charge you in respect of any additional work carried out as a result.

8. Confidential Information; Data:

- A. Each of us is likely to disclose information ("Disclosing Party") to the other ("Receiving Party") from time to time in the course of the provision of the Services, which is marked or designated as confidential or proprietary at or prior to disclosure or which would appear to a reasonably prudent person to be confidential and/or proprietary in nature ("Confidential Information"). The Receiving Party will not disclose such Confidential Information to any person other than in connection with the provision of the Services or as otherwise provided for in this Agreement. This restriction does not apply to information that (i) the Receiving Party must disclose by law or legal process, (ii) is either already in the public domain or enters the public domain through no fault of the Receiving Party, (iii) is available to the Receiving Party from a third party who, to the Receiving Party's knowledge, is not under any non-disclosure obligation to the Disclosing Party, or (iv) is independently developed by or for the Receiving Party without reference to any Confidential Information of the Disclosing Party.
- B. Notwithstanding Section 3(A), you agree that we will be entitled to disclose information, including Confidential Information, relating to the Services or you to regulators having jurisdiction over our business. You also agree that, notwithstanding any other provision in this Agreement, we may include the identities of those persons who are identified by you as contact persons for you and information about the terms of this Agreement, the Services and the Compensation in our internal client management, financial and conflict checking databases.
- C. You hereby grant us a perpetual, non-exclusive, royalty-free license to copy, modify and use any information and data supplied by you or on your behalf so that we may create analytical trend data (in anonymous form) and in order to

improve the quality of our advice to our clients. We will not disclose any information in a manner that allows particular clients or individuals to be identified. Notwithstanding the foregoing, you agree that your name may appear in a list of participating organizations for reports containing such analytical trend data.

- D. Our respective obligations under Section 3(A) shall survive for a period of five (5) years from the date of termination of this Agreement or for such longer period as is required by law, except that any trade secrets disclosed to the Receiving Party shall be maintained in confidence in perpetuity or until such time as they are no longer reasonably considered to be trade secrets by the Disclosing Party.
- E. Notwithstanding anything to the contrary in this Agreement, but subject to the terms and conditions of Section 3, we may (i) retain copies of Confidential Information that is required to be retained by law or regulation, (ii) retain copies of our work product that contain Confidential Information for archival purposes or to defend our work product and (iii) in accordance with legal, disaster recovery and records retention requirements, store such copies and derivative works in an archival format (e.g. tape backups), which may not be returned or destroyed. We may retain your information in paper or imaged format and we may destroy paper copies if we retain digital images thereof.

9. Personal Information:

Each of us and our respective Affiliates (as defined below) will comply with our respective obligations arising from data protection and privacy laws in effect from time to time to the extent applicable to this Agreement and the Services. This includes, without limitation, (i) the obligation, if any, of you or your Affiliates, to obtain any required consent(s) in respect of the transfer of information to us by you or any third party relating to an identified or identifiable individual that is subject to applicable data protection, privacy or other similar laws (“Personal Information”), (ii) any obligation with respect to the creation or collection of additional Personal Information by us, and (iii) any obligation with respect to the use, disclosure and transfer by us of Personal Information as necessary to perform the Services or as expressly permitted under this Agreement. Subject to Section 3(C), any use or processing by us of Personal Information supplied by or on your behalf in connection with the Services shall be done solely on your behalf. We shall handle such Personal Information in accordance with your reasonable instructions as may be provided from time to time in the applicable SOW or as reasonably necessary for the purpose of providing the Services and shall not handle such Personal Information in a manner inconsistent with the terms of this Agreement. We also confirm that we have taken appropriate technical and organizational measures intended to prevent the unauthorized or unlawful processing of Personal Information and the accidental loss or destruction of, or damage to, Personal Information. For purposes of this Agreement, “Affiliates” means, with respect to either party, any entity directly or indirectly controlling, controlled by or under common control with such party.

10. Ownership and Use of Work; Intellectual Property:

- A. All materials prepared by us specifically and exclusively for you pursuant to this Agreement (the "Work") shall be owned exclusively by you. Notwithstanding anything to the contrary set forth in this Agreement, we will retain all copyright, patent and other intellectual property rights in the methodologies, methods of analysis, ideas, concepts, know-how, models, tools, techniques, skills, knowledge and experience owned or possessed by us before the commencement of, or developed or acquired by us during or after, the performance of the Services, including without limitation, all systems, software, specifications, documentation and other materials created, owned or licensed and used by us or our Affiliates or subcontractors in the course of providing the Services (the "Intellectual Property"), and we shall not be restricted in any way with respect thereto. To the extent any Work incorporates any Intellectual Property, we hereby grant you a non-exclusive, non-transferable right to use such Intellectual Property solely for purposes of utilizing the Work internally in accordance with the terms of this Agreement.
- B. Unless we provide our prior written consent, you will not use, in a manner other than as mutually contemplated when we were first retained by you to perform the applicable Services, or disclose to any third party, other than your attorneys, accountants or financial advisors with a need to know, any Work or Intellectual Property or other material supplied by us under this Agreement, and you shall be responsible for, and we shall have no liability with respect to, modifications made by any person other than us to the Work, Intellectual Property or other work product provided to you by us. You will indemnify, defend and hold us and our Affiliates harmless in respect of any Loss (as defined in Section 7) incurred by us as a result of your breach of this obligation or any modifications made by any person other than us to the Work, Intellectual Property or other work product provided to you by us.

11. Dispute Resolution:

- A. Before commencing any action or proceeding with respect to any dispute between us arising out of or relating to our provision of the Services under this Agreement, the parties shall first attempt to settle the dispute through consultation and negotiation in good faith and in a spirit of mutual cooperation. If the dispute is not resolved within five (5) business days, either of us may elect to escalate the resolution of such dispute by submitting the dispute in writing to senior executives from each of us who will promptly meet and confer in an effort to resolve the dispute. Each party will identify such senior executive by notice to the other party, and each party may change its senior executive at any time thereafter by notice. Any mutually agreed decisions of the senior executives will be final and binding on both parties. In the event the senior executives are unable to resolve any dispute within thirty (30) days after submission to them, either party may then refer such dispute to mediation by a mutually acceptable mediator to be chosen by both parties within forty-five (45) days after written notice by either party demanding mediation. Neither party may unreasonably withhold, delay or

condition consent to the selection of a mediator. All communications and discussions in furtherance of this paragraph shall be treated as confidential settlement negotiations that are not subject to disclosure to any third party. The costs of the mediator shall be shared equally, but each party shall pay its own attorney's fees.

- B. Any dispute that is not resolved within six (6) months of the date of the initial demand for mediation by one of the parties may then be submitted to a court of competent jurisdiction. Nothing in this Section 6 will prevent either of us from resorting to judicial proceedings at any time if interim relief from a court is necessary to prevent serious and irreparable injury or damage to that party or to others.
- C. EXCEPT TO THE EXTENT PROHIBITED UNDER APPLICABLE LAW, ANY CLAIM, ACTION OR PROCEEDING AGAINST A PARTY OR ANY OF ITS AFFILIATES WILL BE BARRED UNLESS THE OTHER PARTY INITIATES THE DISPUTE RESOLUTION PROCEDURES SET FORTH IN THIS SECTION 6 WITHIN ONE YEAR OF FIRST DISCOVERING THE ACT, ERROR OR OMISSION THAT IS THE BASIS FOR SUCH CLAIM.

12. Limitation of Liability:

- A. The aggregate liability of Mercer, our Affiliates and any officer, director or employee of ours and our Affiliates ("Mercer Parties") to you, your Affiliates, your officers, directors or employees or those of your Affiliates and any third party (including any benefit plan, its fiduciaries or any plan sponsor) for any and all Losses arising out of or relating to the provision of Services by any of the Mercer Parties shall not exceed the greater of one times the Compensation for the Services giving rise to such Loss and \$100,000. Mercer shall have no liability for the acts or omissions of any third party (other than our subcontractors).
- B. In no event shall either party or its Affiliates be liable in connection with this Agreement or the Services for any loss of profit or incidental, consequential, special, indirect, punitive or similar damages. The provisions of this Section 7 shall apply to the fullest extent permitted by law. Nothing in this Section 7 limiting the liability of a party shall apply to any liability that has been finally determined by a court to have been caused by the fraud of such party.
- C. For purposes of this Agreement "Loss" means damages, claims, liabilities, losses, awards, judgments, penalties, interest, costs and expenses, including reasonable attorneys' fees, whether arising in tort, contract or otherwise. For the avoidance of doubt, multiple claims arising out of or based upon the same act, error or omission, or series of continuous, interrelated or repeated acts, errors or omissions shall be considered a single Loss.
- D. Each of the parties acknowledges that the Compensation for the Services to be provided under this Agreement and the applicable SOW reflects the allocation of risk set forth in this Section 7.

13. Unforeseen Events:

Neither party shall be liable for delays or failures in performance of obligations under

this Agreement, other than failure to make payments hereunder when due, resulting from events beyond its reasonable control, including without limitation "acts of God," fire, flood, riots, new laws which prevent the carrying out of the Services, the results of terrorist activity, failures of third party suppliers, and electronic and other power failures.

14. Duration and Termination of this Agreement:

This Agreement will continue until terminated as provided in this Section, except as provided otherwise in a SOW. This Agreement and any SOW may be terminated (i) by either party upon ninety (90) days' prior written notice to the other party, (ii) by either party upon material breach by the other party, which breach is not cured within thirty (30) days after receipt of written notice thereof, or (iii) immediately by us for non-payment of invoices by you as provided under Section 1. After the termination of this Agreement, Sections 3, 4, 5, 6, 7, 9 and 10 will survive in full force and effect. Any termination of this Agreement shall not relieve you or your Affiliates of their obligations to pay for Services rendered and expenses incurred by us or our Affiliates up to and including the effective date of such termination, and such termination may require you to pay termination fees to the extent provided in a SOW. Notwithstanding the foregoing, to the extent that the parties agree that Mercer shall continue to provide Services after the effective date of termination of this Agreement or any SOW, the terms and conditions of this Agreement and the applicable SOW shall survive until such Services are completed or the parties agree that the Services shall no longer be provided.

15. Additional Terms:

- A. ***Terms Incorporated by Reference*** - The terms set forth in a SOW shall be deemed incorporated by reference into this Agreement for purposes of that SOW.
- B. ***Notices*** - Any notice that is to be given by one party to the other under this Agreement will be given in writing and delivered to, _____, with a copy to the Legal Department, Mercer, 1166 Avenue of the Americas, New York, New York 10036 if to Mercer or _____ if to Client, or any other address specified by notice subsequently by one party to the other. A notice will be effective upon receipt.
- C. ***No Third Party Beneficiaries*** - Neither this Agreement nor the provision of the Services is intended to confer any right or benefit on any third party, other than the Affiliates of each party that execute a SOW, and, in such event, solely as set forth in such SOW and this Agreement.
- D. ***No Publicity*** - You agree not to refer to us or attribute any information to us in the press, for advertising or promotional purposes, or for the purpose of informing or influencing any other party, including the investment community, without our prior written consent. We agree not to refer to you in the press or for promotional purposes without your prior written consent, provided that we may include your name in our representative client listing and as provided in Section 3(C).

- E. ***Waiver*** - The failure by either party to insist upon strict performance of any provision of this Agreement shall in no way constitute a waiver of rights under this Agreement, at law or in equity.
- F. ***WAIVER OF JURY TRIAL - EACH PARTY, ON BEHALF OF ITSELF AND ITS AFFILIATES, TO THE FULLEST EXTENT PERMITTED BY LAW, KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY SERVICES PROVIDED BY MERCER OR ITS AFFILIATES. THE WAIVER APPLIES TO ANY ACTION OR LEGAL PROCEEDING, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE. EACH PARTY AGREES NOT TO INCLUDE ANY EMPLOYEE, OFFICER, DIRECTOR OR TRUSTEE OF THE OTHER AS A PARTY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM RELATING TO SUCH DISPUTE.***
- G. ***Warranties of Mercer*** - Except as expressly set forth in this Agreement, we expressly disclaim any warranty, express or implied, including but not limited to any implied warranty of merchantability and fitness for a particular purpose.
- H. ***Entire Agreement, Amendment, Assignment, Subcontracting*** - This Agreement (including any SOW and any schedules or exhibits attached hereunder) merges and supersedes all prior or contemporaneous understandings, agreements, negotiations and discussions, whether oral or written, between the parties concerning the Services, replaces any existing agreement or undertaking between the parties and constitutes the entire agreement between the parties with regard to the Services. The parties have not relied upon any promises, representations, warranties, agreements, covenants or undertakings, other than those expressly set forth in this Agreement. Except with respect to a change in address for notices, this Agreement shall not be amended except by a written document executed by both of us. In the event of any inconsistency between the terms of a SOW and those in the Agreement, the provisions contained in this Agreement shall prevail unless the SOW specifically amends a term contained herein. Neither of us may assign this Agreement without the prior written consent of the other, except that we may assign this Agreement to an Affiliate with reasonable prior written notice to you. We may subcontract with any of our Affiliates upon reasonable prior written notice to you, and we may subcontract with third parties with your prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.
- I. ***Governing Law and Jurisdiction*** - Unless otherwise provided in a SOW, this Agreement and all SOWs issued hereunder will be governed by, and interpreted in accordance with, the law of the State of New York and will be subject to the exclusive jurisdiction of the courts located in the State of New York.
- J. ***Severability*** - It is the intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permitted by applicable law. To the extent that the terms set forth in this Agreement or any word, phrase, clause or sentence is found to be illegal or unenforceable for any reason, such word, phrase, clause or

sentence shall be modified deleted or interpreted in such a manner so as to afford the party for whose benefit it was intended the fullest benefit commensurate with making this Agreement as modified, enforceable and the balance of this Agreement shall not be affected thereby, the balance being construed as severable and independent.

- K. **Advice on Legal Matters** - We are not engaged in the practice of law and the Services provided hereunder, which may include commenting on legal issues or drafting documents, do not constitute and are not a substitute for legal advice. Accordingly, we recommend that you secure the advice of competent legal counsel with respect to any legal matters related to the Services or otherwise.
- L. **Counterparts** - This Agreement may be executed and delivered (including by facsimile or a scanned PDF version) in one or more counterparts, each of which when executed shall be deemed an original, but all of which taken together shall constitute one and the same agreement.

If you have any questions about these terms and conditions, please do not hesitate to call me. If not, please indicate your agreement to the terms of this Agreement by signing the enclosed copy of this Agreement and SOW, if applicable, and returning it to us.

Mercer (US) Inc.

Mercer Investment Consulting, Inc.

in each case, solely in connection with the Services it provides pursuant to a SOW

Mercer Investment Consulting, Inc.

By: _____

Name: _____
(Please Print)

Date: _____

Title: _____

ACCEPTED AND AGREED

Client Company

By: _____

Name: _____
(Please Print)

Date: _____

Title: _____

K) Negotiator

Identification of the firm's representative that will have the authority and responsibility for contract negotiation.

Eileen Kwei, CFA and Michael Tadlock, CFA are Principals of Mercer and have the authority and responsibility for contract negotiation. Their contact information is below.

Lead consultant:	Eileen Kwei, CFA
Title:	Principal
Address:	4 Embarcadero Center, Suite 400 San Francisco, CA 94111
Telephone number:	415-743-8964
Fax number:	415-743-8950
Email Address:	eileen.kwei@mercer.com

Lead consultant:	Michael Tadlock, CFA
Title:	Principal
Address:	4 Embarcadero Center, Suite 400 San Francisco, CA 94111
Telephone number:	415-743-8826
Fax number:	415-743-8950
Email address:	michael.tadlock@mercer.com

L) Fees/Pricing

Standard fee/pricing structure currently applicable. Provide pricing based on services to one, two, three, or all plans. Please include all costs, such as retainers, flat fee, hourly rate, all fees that might apply. This information is not used for evaluation purposes.

As instructed, Mercer's fee proposal is submitted in a separate sealed envelope and labeled as such.

M) Other Information

Thank you again for your consideration of Mercer's investment consulting capabilities. Mercer Investment Consulting, Inc. (Mercer) is a global provider of investment consulting services. Our firm has been providing investment consulting services to defined contribution plans for more than 35 years.

There are two key differentiators that set Mercer apart from other firms: our global presence and our resources. Mercer's global presence creates advantages in terms of intellectual capital and thought leadership. Often strategic issues that first become important in one or more other national markets besides the US later become important in the US. When this happens, our global learning helps us bring practical solutions to our US clients more quickly than we believe our competitors can. Additionally, Mercer's size permits us to invest in deeper specialist expertise to support our client facing consultants. Our size also permits us to invest in research on a broader array of investment strategies and capital markets issues. We believe that our consultant's exposure to such a broad and diverse set of clients creates a comparative advantage in possessing industry-leading intellectual capital.

Further, our consulting strengths and areas of expertise are drawn from our:

Resources – Since 1972 we have grown to become one of the largest investment consulting organizations in the world by focusing on each individual client within each market. Clients benefit from our ongoing investment in research staff and analytical tools. We bring extensive consulting experience to sponsors of both DC and DB plans.

Research Capabilities – We devote 10-15% of our annual revenue to technology and investment research on asset managers and the capital markets to make critical recommendations to our clients. Over 80 full-time manager research professionals (as of December 31, 2009) analyze investment managers in their respective markets to pinpoint the strategies that we believe have the potential to offer our clients superior risk-adjusted performance.

Specialist Resources - Unique to Mercer is our many specialist resources. We believe having specialist resources available to our clients is critical in today's capital market environment. The range of issues facing clients and the complexity of those issues is much different than five years ago. Having broad consulting knowledge is not enough given the demands from our clients. The ability to access "experts" within a specific investment area and bring their deep knowledge to help clients solve issues is essential. Our objective is to provide clients with in-depth analysis on the wide range of issues they are facing in a world that continues to become more complex. Some of the specialist resources we provide include investment operations, plan structure and design, and responsible investing.

Program design consulting – As part of Mercer US we are able to work closely with consultants in our retirement business. We can draw on their expertise for questions regarding plan design and governance. Our Public Sector Defined Contribution group works with 457 and 401(a) plans, focusing on issues of governance and administration specific to their needs.

Regional Presence – City of Arvada will primarily be serviced by our office located in San Francisco. We believe this enhances the delivery of our services through more effective, face-to-face meetings. Simultaneously, we leverage information from our entire organization to meet your unique requirements.

Focus on Fiduciary Obligations – We understand that the fiduciary environment has changed drastically over the last few years. By virtue of being a registered investment advisor, Mercer is a fiduciary with respect to the investment advice we provide, which Mercer will acknowledge in writing.