

## EXECUTION COPY

### SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This SETTLEMENT AGREEMENT AND MUTUAL RELEASE (the "Settlement Agreement") is entered into this 11th day of June, 2010 (the "Effective Date") by and between the Alaska Retirement Management Board on behalf of the State of Alaska Public Employees' Retirement System and State of Alaska Teachers' Retirement System (the "ARM Board") and the State of Alaska ("the State of Alaska") on the one hand, and Mercer (U.S.), Inc., Mercer Human Resource Consulting, Inc. and William H. Mercer, Inc. (collectively "Mercer") and Marsh & McLennan Companies, Inc. ("MMC") on the other hand. The ARM Board, the State of Alaska, Mercer and MMC shall be referred to individually herein as a "Party" and collectively herein as the "Parties."

WHEREAS the ARM Board is "the trustee of the assets of the state's retirement systems," including the State of Alaska Public Employees' Retirement System ("PERS") and the State of Alaska Teachers' Retirement System ("TRS"), and has "the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, program, and trusts," AS 37.10.210;

WHEREAS on December 6, 2007, the ARM Board filed a lawsuit on behalf of PERS and TRS in the Superior Court for the State of Alaska, First Judicial District at Juneau (the "Court") against Mercer, Case No. 1JU-07-974 CI (the "Action");

WHEREAS, subject to the terms and conditions set forth herein, the Parties wish to fully, completely, and finally resolve, terminate, settle and compromise all disputes and claims arising out of or related to Mercer's services to the State of Alaska including those that were or could have been asserted by the Parties in the Action, without further cost or litigation expenses, without further hearing or adjudication of any issues of fact or law, and without admission or acknowledgment of responsibility, fault or liability; and

WHEREAS, the Parties believe that the terms of the Settlement Agreement are fair to the Parties, PERS, TRS, the employers that participate and have ever participated in either or both of PERS and TRS (the "Participating Employers," and each of them a "Participating Employer"), and the employee beneficiaries of PERS and TRS;

NOW, THEREFORE, in consideration of the releases and covenants stated herein, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Consideration:

(a) Settlement Amount: Subject to the terms and conditions of this Settlement Agreement, Mercer and MMC shall pay Five Hundred Million Dollars (\$500,000,000.00) no later than August 10, 2010 (the "Settlement Amount") by wire

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transfer of immediately available funds to the ARM Board's attorneys at Paul, Weiss, Rifkind, Wharton & Garrison LLP, at the following account:

Account name: Paul, Weiss, Rifkind, Wharton & Garrison LLP  
Bank: Citibank, N.A.  
Address of the Bank: 111 Wall St., New York, NY 10005  
ABA: 021-000089  
Account Number: 0652-6767  
Swift Code: CITIUS33

(b) Stay of Action Pending Receipt of Settlement Amount: Within two business days after the Effective Date, the ARM Board and Mercer shall jointly apply to the Court for a stay of the Action for 65 days in the form attached as Exhibit A.

(c) If Mercer and MMC do not timely pay the Settlement Amount as required by Paragraph 1(a), the ARM Board may, in its sole discretion and without the consent of Mercer or MMC, either (i) continue prosecution of the Action; or (ii) commence an action (the "Payment Action") against Mercer and MMC for breach of the Settlement Agreement. Mercer and MMC hereby consent to the sole and exclusive jurisdiction and venue of the Court for the Payment Action, and waive any right to remove or transfer the Payment Action to any other court. If the ARM Board commences the Payment Action, the Parties agree that (x) the State of Alaska's prejudgment interest rate for damages in the Payment Action will begin to run on the Effective Date; and (y) Mercer and MMC will pay the ARM Board's reasonable attorney's fees and costs for the Payment Action if it is resolved in favor of the ARM Board.

(d) Dismissal of Action: Subject to the terms and conditions of this Settlement Agreement, the ARM Board shall file a Stipulation of Dismissal of the Action, with prejudice, in the form attached as Exhibit B, within 2 business days after timely receipt of the Settlement Amount pursuant to paragraph 1(a).

2. Releases. The Releases set forth in this Paragraph 2 shall take effect immediately upon, and only upon, the ARM Board's filing a notice of dismissal described in Paragraph 1(d).

(a) Release of the ARM Board and the State of Alaska: Mercer, MMC, and each of their respective present, future and former parents, members, subsidiaries, affiliates, agents, officers, directors, partners, trustees, employees, representatives, successors and assigns hereby forever, irrevocably and unconditionally release and forever discharge the ARM Board, the State of Alaska, PERS, TRS, the Alaska Public Employees Retirement Board, the Alaska Teachers Retirement Board, and each of their respective present, future and former members, subsidiaries, affiliates, agents, officers, directors, partners, trustees, employees, representatives, attorneys, outside counsel, successors and assigns from any and all suits, claims, controversies, rights, agreements, promises, debts, liabilities, accounts, reckonings, demands, damages, judgments, obligations, covenants, contracts, costs, losses, expenses, actions or causes of

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action of every nature, character and description, in law or in equity, that each or any of them ever had or now has, or may have in the future, upon or by reason of any matter, cause or thing whatever from the beginning of the world to the date of the Settlement Agreement arising out of, concerning, or relating in any way to (i) the allegations or claims made in the Action or (ii) actuarial and/or consulting work done by Mercer for the ARM Board, PERS, TRS, or the State of Alaska or (iii) this Settlement Agreement and the payment called for by Paragraph 1(a), provided that nothing in this paragraph shall release any claims to enforce this Settlement Agreement.

(b) Release of Mercer and MMC: The State of Alaska and the ARM Board, on behalf of itself and the retirement systems for which it acts as fiduciary, and each of their respective present, future and former members, affiliates, agents, officers, partners, directors, trustees, employees, representatives, successors and assigns hereby forever, irrevocably and unconditionally release and forever discharge Mercer, MMC, and each of their respective present, future and former parents, members, subsidiaries, affiliates, agents, officers, directors, partners, trustees, employees, representatives, attorneys, outside counsel, successors and assigns from any and all suits, claims, controversies, rights, agreements, promises, debts, liabilities, accounts, reckonings, demands, damages, judgments, obligations, covenants, contracts, costs, losses, expenses, actions or causes of action of every nature, character and description, in law or in equity that each or any of them ever had or now has, or may have in the future, upon or by reason of any matter, cause or thing whatever from the beginning of the world to the date of the Settlement Agreement arising out of or relating in any way to the allegations or claims made in the Action or arising out of, concerning, or relating in any way to actuarial and/or consulting work done by Mercer for the ARM Board, PERS, TRS, or the State of Alaska, provided that nothing in this paragraph shall release any claims to enforce this Settlement Agreement.

3. Mutual Warranties: Each Party represents and warrants to the other that (i) it is duly organized, validly existing and in good standing under the laws of the state or country under which it is organized; (ii) it has the power and authority to enter into this Settlement Agreement and to perform fully its obligations hereunder; (iii) the individual executing this Settlement Agreement on its behalf has the authority to do so; (iv) the obligations created by this Settlement Agreement, insofar as they purport to be binding on it, constitute legal, valid and binding obligations enforceable in accordance with their terms; and (v) it is under no contractual or other legal obligation that shall in any way interfere with its full, prompt and complete performance hereunder.

4. Ownership of Claims: Each Party hereby warrants and represents that it has not assigned any portion of any claim being released herein to any other person or entity.

5. No Admission of Wrongdoing: This Settlement Agreement is entered into as a good faith compromise between the Parties for the complete and final settlement and release of any and all claims, disputes and causes of actions among them that could have been brought in the Action. By this settlement, no Party admits liability or wrongdoing to any other Party in any respect. Neither this Settlement Agreement nor any

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communications between the settling Parties relating thereto shall be deemed or construed to be an admission as to factual or legal contentions relating to the matters settled here or evidence of any violation of any statute or law.

6. Jointly Drafted: This Settlement Agreement shall be treated as jointly drafted, and will not be construed against any Party as the drafter. Accordingly, any uncertainty or ambiguity that may exist in this Settlement Agreement shall not be interpreted against any Party as a result of the manner of the preparation of the Settlement Agreement. Additionally, each Party has had experienced counsel that has contributed to the drafting of this Settlement Agreement, and therefore the Settlement Agreement shall not be construed more strictly against any Party.

7. Modification and Waiver: No supplement, modification, amendment, or termination of this Settlement Agreement shall be binding unless executed in a writing signed by the Parties to be bound thereby. No provisions of this Settlement Agreement may be waived unless in writing, signed by the Party to be charged therewith. Waiver of any one provision shall not be deemed to be a waiver of any other provision.

8. Execution: This Settlement Agreement may be executed in any number of counterparts, each of which, when executed and delivered to the other Parties, shall be deemed an original and all of which together shall constitute but one and the same agreement. Signatures obtained by facsimile or email in .pdf format shall be deemed to be an original signature. This Settlement Agreement is not binding and shall be of no force and effect whatsoever unless and until it is executed by all Parties hereto.

9. Governing Law, Jurisdiction and Service of Process: This Settlement Agreement shall be governed by and construed under the laws of the State of Alaska without reference to the conflict-of-law provisions of any jurisdiction. The Parties irrevocably consent to the exclusive jurisdiction of the Court to hear and determine any dispute or claim arising out of, relating to, or in connection with this Settlement Agreement or the breach, termination or validity thereof. The Parties waive any objection as to venue or the inconvenience of the forum in such court for such purposes, and waive any right to remove or transfer any such dispute or claim to any other court. Each Party consents to service of process in any suit arising out of this Settlement Agreement at the addresses provided below.

10. Attorney's Fees and Expenses: Except as provided in Paragraph 1(c) regarding any Payment Action, each Party agrees that it will be responsible for its own attorneys' fees and costs related to the Settlement Agreement and the Action.

11. Agreement Freely Executed: Each Party warrants and represents that it has reviewed and understands the terms of this Settlement Agreement, it was not coerced nor was it under duress to execute this Settlement Agreement, and that it executed the same of its own free will.

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12. Headings; Terms: The headings herein are for convenience purposes only, do not constitute part of the Settlement Agreement, and shall not be deemed to limit or affect any of the provisions of the Settlement Agreement.

13. Notice: Any notice shall be given by email and by overnight delivery service (such as Federal Express) as follows:

To Mercer or to MMC:

David Goldenberg  
General Counsel  
Mercer (US) Inc.  
1166 Avenue of the Americas  
New York, NY 10036-2774

With copy to:

Eric J. Van Vugt, Esq.  
Quarles & Brady, LLP  
411 East Wisconsin Avenue, Suite 2040  
Milwaukee, WI 53202-4497

To the ARM Board:

Michael Barnhill, Esq.  
State of Alaska Department of Law  
Attorney General's Office  
123 4th St., 6th Floor  
Juneau, AK 99801  
mike.barnhill@alaska.gov

With copy to:

Lewis Clayton, Esq.  
Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
lclayton@paulweiss.com

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WHEREFORE, to signify their acceptance of the foregoing terms, each of the Parties has signed below as of the Effective Date:

The ARM Board

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

Name: Daniel S. Sullivan

Title: Attorney General

The State of Alaska

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

Name: Daniel S. Sullivan

Title: Attorney General

Mercer

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

Name: David Goldenberg

Title: General Counsel

MMC

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

Name: Lucy Fato

Title: Deputy General Counsel

**EXHIBIT A**

**THE SUPERIOR COURT FOR THE STATE OF ALASKA  
FIRST JUDICIAL DISTRICT AT JUNEAU**

ALASKA RETIREMENT )  
MANAGEMENT BOARD on behalf of )  
STATE OF ALASKA PUBLIC )  
EMPLOYEES' RETIREMENT )  
SYSTEM and STATE OF ALASKA )  
TEACHERS' RETIREMENT SYSTEM,) )  
 )  
Plaintiff, ) Case No. 1JU-07-974 CI  
 )  
v. )  
 )  
MERCER (US), INC., MERCER )  
HUMAN RESOURCE CONSULTING, )  
INC., AND WILLIAM M. MERCER, )  
INC., )  
 )  
Defendants. )

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**STIPULATION OF STAY**

Pursuant to the June 11, 2010 Settlement Agreement by and between Plaintiff the Alaska Retirement Management Board (the "ARM Board"), Defendants Mercer (U.S.), Inc., Mercer Human Resource Consulting, Inc., and William M. Mercer, Inc. (together "Mercer"), and Marsh & McLennan Companies, Inc. ("Marsh") (the "Settlement Agreement"), the ARM Board and Mercer hereby stipulate and agree that this action, Case No. 1JU-07-974 CI, including any and all currently scheduled deadlines and proceedings, shall be stayed for the period from June 11, 2010 through August 15, 2010.

DATED this \_\_\_\_ day of \_\_\_\_\_ 2010, at Juneau, Alaska.

LESSMEIER & WINTERS, LLC  
Attorneys for Plaintiff

By: \_\_\_\_\_  
Michael L. Lessmeier, AK Bar 7910082

Michael A. Barnhill  
Attorney General's Office  
P.O. Box 110300  
Juneau, Alaska 99811-0300

Lewis R. Clayton  
Michael Gertzman  
Eric Alan Stone  
Daniel Levi  
Colin C. McNary  
Paul Weiss Rifkind Wharton & Garrison  
LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064

DATED this \_\_\_\_ day of \_\_\_\_\_, 2010, at Anchorage, Alaska.

PATTON BOGGS, LLP  
Attorneys for Defendants

By: \_\_\_\_\_  
Douglas J. Serdahely, AK Bar 7210072

Eric J. Van Vugt  
Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202-4497

Wesley G. Howell  
Gibson Dunn & Crutcher  
333 South Grand Ave  
Los Angeles, CA 90071



SO ORDERED:

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**EXHIBIT B**

**THE SUPERIOR COURT FOR THE STATE OF ALASKA  
FIRST JUDICIAL DISTRICT AT JUNEAU**

ALASKA RETIREMENT )  
MANAGEMENT BOARD on behalf of )  
STATE OF ALASKA PUBLIC )  
EMPLOYEES' RETIREMENT )  
SYSTEM and STATE OF ALASKA )  
TEACHERS' RETIREMENT SYSTEM,) )  
 )  
Plaintiff, ) Case No. 1JU-07-974 CI  
 )  
v. )  
 )  
MERCER (US), INC., MERCER )  
HUMAN RESOURCE CONSULTING, )  
INC., AND WILLIAM M. MERCER, )  
INC., )  
 )  
Defendants. )

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**STIPULATION OF DISMISSAL  
AND AS 09.68.130 CERTIFICATION**

Pursuant to Rule 41(a)(1) of the Alaska Rules of Civil Procedure, Plaintiff the Alaska Retirement Management Board (the "ARM Board") and Defendants Mercer (U.S.), Inc., Mercer Human Resource Consulting, Inc., and William M. Mercer, Inc. (together, "Mercer") hereby stipulate to the dismissal with prejudice of this action, Case No. 1JU-07-974 CI. Counsel shall provide the information described in AS 09.68.130 to the Alaska Judicial Counsel within thirty (30) days.

DATED this \_\_\_\_ day of \_\_\_\_\_ 2010, at Juneau, Alaska.

LESSMEIER & WINTERS, LLC  
Attorneys for Plaintiff

By: \_\_\_\_\_  
Michael L. Lessmeier, AK Bar 7910082

Michael A. Barnhill  
Attorney General's Office  
P.O. Box 110300  
Juneau, Alaska 99811-0300

Lewis R. Clayton  
Michael Gertzman  
Eric Alan Stone  
Daniel Levi  
Colin C. McNary  
Paul Weiss Rifkind Wharton & Garrison  
LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064

DATED this \_\_\_\_ day of \_\_\_\_\_, 2010, at Anchorage, Alaska.

PATTON BOGGS, LLP  
Attorneys for Defendants

By: \_\_\_\_\_  
Douglas J. Serdahely, AK Bar 7210072

Eric J. Van Vugt  
Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202-4497

Wesley G. Howell  
Gibson Dunn & Crutcher  
333 South Grand Ave  
Los Angeles, CA 90071

SO ORDERED:

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