MOU Appendix 3

Nominal General Ledger Reserve Account:

The University agrees to establish a nominal general ledger account (not a trust) that will track the actual costs of the Fairfield University Medical Plan (the "Plan") as the costs relate to:

- Employee pre-tax contributions (which were made under Fairfield's IRC § 125 cafeteria plan based on budgeted Plan costs), that are less than (or more than) employees' agreed upon cost share percentage of actual expenses; and

- Any identified and agreed to employee pre-tax contribution "surcharges" (above and beyond the agreed to cost share percentages of required employee contributions) intended to pay for shortfalls in prior year employee contributions. These "surcharges" would flow through the general ledger account to pay for claims, enabling a portion of University contributions flowing through the general reserve account to replenish the general ledger reserve account to an agreed upon minimum threshold.

Employee contributions are Plan assets. They must be used for Plan expenses and will be used first so that employee contributions are used within three months of receipt to pay Plan expenses. Because employee contributions are being used first, monies remaining in the ledger account represent contributions made by the University. Any University contributions that exceed actual cost in a given year will not be considered Plan assets and those funds can legally be used by the University for any purpose.

If the Plan does well (i.e. actual costs are less than projected budget), the University will apply the employee cost share of that favorability to employee contribution rates when the University sets employee contribution rates in the following year, only to the extent that the balance in the general ledger account exceeds the agreed upon Trigger Threshold (defined below). The preceding sentence does not create a legal obligation, but rather denotes the University's intent.

Mechanics:

The general ledger reserve account is intended to serve as an adjustment mechanism so that employee contributions to healthcare premiums more closely reflect the agreed upon cost share percentage of actual costs rather than projected costs.

Annual Reconciliation:

The difference between projected plan costs and actual costs (actual costs as reported by Mercer for the plan year) shall be calculated at the end of every calendar year. If the projected costs exceed the actual costs, this shall be deemed a surplus. If the actual costs exceed the projected costs, this shall be deemed a deficit.

If there is a surplus, the cost share percentage of the surplus is added to the general ledger reserve account. If there is a deficit, the cost share percentage of the deficit is subtracted from the general ledger reserve account.

The amount in the general ledger reserve account is then increased or decreased by a percentage equivalent to the change of the cost per employee per year of the just completed year's plan compared with the cost per employee per year of the previous year's plan.

Rate Stabilization: Rate Surcharge/Reduction:

When setting rates for the start of the upcoming calendar year, if the general ledger reserve account is less than 4% of the just completed year's actual plan costs (the "Minimum Threshold"), a surcharge is added to the employee portion of the premium. The surcharge amount added shall be equal to the amount of money needed to bring the general ledger reserve account back to the Minimum Threshold (4%).

When setting rates for the start of the upcoming calendar year, if the general ledger reserve account is over 6% of the just completed year's actual plan costs (the "Trigger Threshold"), the amount over 6% will be used to reduce the employee portion of the premium.

When setting rates for the start of the upcoming calendar year, if the general ledger reserve account is between the Minimum Threshold (4%) and the Trigger Threshold (6%) of the just completed year's actual plan costs, there is no adjustment to the employee portion of the premium.

The amounts added or subtracted from the employees' premiums will be done in such a way that employees on the various plans all receive the same percentage change to their portion of the premiums.

University Seeding:

The University will seed the reserve account with $612,109.