Erie County Technical School

PROPOSED AGENDA ITEM

MEETING DATE: May 24, 2012

SUBJECT: NOREBT- Northwestern Region Employee Benefit Trust
Trust Agreement amendments

SUBMITTED BY: Paul Fritz, Business Manager

The NOREBT Board of Directors has recommended that the trust agreement be amended as presented on the attached documentation.
Summary of changes:

- Delete the statement that new participating districts may be required to pay an entrance fee.
- Change cost reimbursement funding method will be limited to districts with 500 or more employees.
- Change insured funding method will be limited to districts with 500 or more employees.
- Changes to withdrawal provisions from the pooled funding arrangement:
  - Trust will require payment of owed funds within 60 to 90 days after notice.
  - Delete the withdrawal penalty.
  - A district's positive balance will be held for one year to satisfy run-out claims. After which a notice will be sent for payment of any negative balance, or distribution of the remaining positive balance.
  - The withdrawing district's share of reserves held by Highmark will be applied to the district's balance
- Changes to the termination of the trust itself:
  - A one-year run-out period to pay claims.
  - A termination of a majority of districts in the pooled method would trigger the termination of the entire trust.
  - Negative balances in the mini-pool large loss fund will need to be paid in full.
  - Positive balances in the mini-pool large loss fund will be distributed.

RECOMMENDATION:

Motion to approve the NOREBT trust agreement amendments as recommended by the NOREBT Board of Trustees, as presented

MOTION

NOREBT TRUST AMENDMENTS

WHEREAS, the ________________ School District is a participating member district in the Northwestern Region Employee Benefit Trust (NOREBT), providing healthcare and/or other employee benefits through a program of services offered through NOREBT; and

WHEREAS, the original Trust Agreement was approved on October 28, 1992; and

WHEREAS, after due consideration and deliberation, the appointed trustees of NOREBT have recommended amendments to the original Trust Agreement to conform the Trust Agreement to current practices, and to clarify withdrawal from the pooled funding arrangement and to make other stylistic changes to the Trust document; and

WHEREAS, clarification of the rights and obligations of participating member districts in NOREBT is beneficial to the District;

NOW, THEREFORE, be it resolved by the Board of School Directors of the ____________________ School District, that the Trust Board Amendments as recommended by NOREBT Board of Trustees, be approved as presented. It is understood that the Trust Agreement Amendments shall not be effective until or unless the same are approved by at least two-thirds of the participating member districts.

This Resolution was adopted by the Board of School Directors of the ____________________ School District at its meeting held on ________________, 2012 by a vote of ________ to ________.

____________________ SCHOOL DISTRICT

By:________________________________
Board Secretary

Document #616428, v1

QUINN, BUSECK, LEEMHUIS, TOOHEY & KROTO, INC.
ATTORNEYS AT LAW

George Joseph
gjoseph@quinnfirm.com

2222 W. Grandview Blvd.
Erie, PA 16506
(814) 833-2222 Phone
(814) 833-6753 Fax
www.quinnfirm.com

March 23, 2012

Mr. Paul Fritz
Erie County Technical School
8500 Oliver Road
Erie PA 16509-4699

**RE: Northwestern Region Employee Benefit Trust
Proposed Trust Amendments**

Dear Mr. Fritz:

This office acts as the Solicitor for the Northwestern Region Employee Benefit Trust. Over the past several months, we have been working with the Trust Board on proposed amendments to the Trust Agreement. The purpose of the changes is to define the rights and obligations of all the parties in the event that one or more participating member school districts elects to withdraw from the Trust. While we do not envision such an event occurring, it is always best to be prepared. We previously revised the Mini Pool Agreement to address the same withdrawal issues.

The Trust document itself provides that it may be amended by an affirmative vote of at least two-thirds of the Board of Directors of the employers. See, Article XV. Therefore, on behalf of the Trust Board, I am enclosing for your district's review and consideration, the proposed Trust Agreement amendments. For your information, I am enclosing a redlined version of the Trust Amendments as well as a clean copy version for your consideration. Also enclosed please find a Memo which explains the changes that were made and the reasons for the changes.

Many of the changes are simply stylistic. The word "employer" was used throughout the original Trust document, even where it referred to a specific participating member district. That has been replaced simply by capitalizing the first letter, so that it now reads "Employer." It actually appears that there are more changes than you might otherwise expect simply because of this stylistic change.

Mark Salvia, Trust Manager, and I would certainly be willing to discuss the changes to the Trust Agreement and/or to meet with your Board to explain them. After due consideration, the Trust Board approved a motion to recommend these changes to the participating member districts at its meeting on March 13, 2012.

Please review the enclosed documentation and advise how we may assist you and your school board in considering the proposed Trust Board changes. For your benefit and use, I am also enclosing a proposed Motion for inclusion in your Board agenda should your Board wish to approve the proposed Trust Amendments. It would be most helpful to the process if the member districts could have their boards vote on the Trust Amendments at the April or May board meetings. Once a Motion approving the Amendments is approved, please forward your certified Resolution to Linda Cousins at the Northwest Tri-County Intermediate Unit.

Should you have any questions regarding this matter, please let me know.

Very truly yours,

QUINN, BUSECK, LEEMHUIS, TOOHEY &
KROTO, INC.

By ______________________________
George Joseph

GJ/bab
Enclosures as noted

Document #616414, v1

George Joseph
gjoseph@quinnfirm.com

QUINN, BUSECK, LEEMHUIS, TOOHEY & KROTO, INC.
ATTORNEYS AT LAW

2222 W. Grandview Blvd.
Erie, PA 16506
(814) 833-2222 Phone
(814) 833-6753 Fax
www.quinnfirm.com

MEMORANDUM

TO: NOREBT Member School Entities
FROM: George Joseph
RE: NOREBT Trust Amendments
FILE NO.: 62396.0008
DATE: March 21, 2012

This memorandum identifies the several changes which the Trust Board has approved and recommended for the consideration of the participating districts.

1. Article 3.2.2 The current provision addresses new members and calls for an initial period of membership of three years. Parenthetically, it notes that an entrance payment may be necessary, to be decided by mutual agreement of the Trust and the new employer. The Trust currently has sufficient assets for operation. Consequently, the Trust has not required an entrance payment for new districts for the past several years. The amendment deletes the statement in parenthesis regarding the potential requirement that newly admitted employers pay an entrance fee to the Trust for initial start-up/capitalization costs. The rationale is that it may serve as deterrence to membership.

2. Article 4.1(b) – Cost-reimbursement funding. The current language of Article IV addresses three different types of funding arrangements – Pooled Funding; Cost-reimbursement Funding; and Insured Funding. Section 4.1(b) addresses situations in which the member essentially pays its own claims, administration and other expenses. The employer pays the Trust, and the Trust pays the costs. Most employers are in the pooled funding, but the funding credibility determinations really result in large employers with over 500 employees essentially being in the cost-reimbursement method. Historically, Ed Kosteva advised that the cost-reimbursement funding was originally intended for the reimbursement of payment of dental claims only. The amendment would limit the cost-reimbursement method to only those school districts that have more than 500 employees. This is because districts with this number of employees are 100% credible for funding calculations, and thus are essentially operating under this method even when they use the pooled funding method.

3. Article 4.1(c) – Insured funding. Ed Kosteva has advised that this provision was originally intended to permit the Trust to offer Life Insurance to its member districts. However, we never got to that point. As it currently exists, this provision primarily affects Affiliate Members of the Trust. The Trust Amendment would limit this funding method to only those school districts that have more than 500 employees. This provision would also only apply to the Stop Loss Fund.

4. Article 16.1.2 – Withdrawal from Pooled Funding Arrangement. The current language in this section is somewhat ambiguous, since the Trust manages three levels of insurance – (1) the self-insured retention; (2) the Mini-Pool, or Excess Stop Loss Fund; and (3) the Stop Loss Insurance. Thus, participating districts (except the Affiliate members) participate in the pooled funding and the mini-pool. The Trust Amendments includin the following revisions to this section:

(a) This provision is revised to clarify that these withdrawal provisions do not govern the Mini-Pool.

(b) This provision is revised to state that the withdrawing Employer need not pay the Trust such funds that are owned to the Trust immediately upon withdrawal. Instead, it requires payment within 30 and 60 days after notice from the Trust.

(c) The withdrawal penalty provided for in Article 16.1.2(b) was determined to be unnecessary to the viability of the Trust, and perhaps a deterrent to membership. The Trust Amendment deletes the penalty for withdrawal.

(d) Since the provisions of Article 16.1.2(b) are deleted, Article 16.1.2(c) has been revised by deleting the penalty language from this section as well.

(e) This section is also changed to require that a withdrawing school district's positive balance to be maintained in the Trust and not immediately paid out to the district, until all of the district's run-out claims are satisfied. Following the payment of all run-out claims, a final account is to be provided to the withdrawing school district, and a notice provided to it with respect to any negative balance created by the run-out claims and expenses, or an immediate distribution to the withdrawing school district of any remaining positive balance. A deadline of one year is established for run-out claims, in Article 16.1.2 (d).

(f) This section is further amended to add a requirement that a withdrawing district with a negative balance in the pooled funding (not the Mini-Pool) will have the negative balance added to the run-out claims and expenses. The negative balance should be billed monthly.

(g) If the withdrawing school district was a founding member of the Trust, Highmark had required the Trust to make a reverse deposit. Thus, for a founding member district, Highmark continues to hold reserves paid in by such district. Upon withdrawal, this reserve will be considered in the final account of the withdrawing school district and applied towards any negative balance or distributed with any additional positive balance.

5. Article 16.2.1 – Termination by All Employers - Generally. This Article is amended to prepare for an orderly winding up of the business of the Trust in the event of termination of the Trust, including a full and complete satisfaction of run-off claims, and return payments, as appropriate, to the members, as follows:

(a) Article 16.2.1 is re-titled as "Termination of Trust" since a withdrawal of all members would terminate the Trust itself. Also, in Section 16.2.1, line 5 contains the word "withdrawal," which should be changed to "termination."

(b) In the event of a termination of the Trust, the run-off period is established as one year.

(c) In the event that a majority of districts in the pooled method (not affiliate members), desire to termination the Trust, this is considered as a triggering event for a termination of the entire Trust.

6. Article 16.2.2 – Termination of the Pooled Funding Arrangement. This section currently provides for a determination of each member's balance and determination of final expenses. In addition, however, the Trust Amendments make the following changes:

(a) Upon the termination of the Mini-Pool, any positive balance remaining in the Mini-Pool shall be divided, pro-rata, among all school district that have positive balances in the Mini-Pool. The Mini-Pool Agreement provides that a withdrawing district is not responsible for a negative balance in the Mini-Pool and does not recover any positive balance, which must be left behind. In the event of a termination of the Trust, the districts with a negative balance in the Mini-Pool would not be obligated to pay that amount into the Mini-Pool. On the other hand, those districts with positive balances will share the balance of the Mini-Pool on a pro-rated basis, determined as a percentage of the district's positive balance to the entire balance in the Mini-Pool.

(b) Section 16.2.2(e) currently provides a Formula for Distribution or Collection of Funds. This provision essentially maintains the pooled nature of the contributions at the time of termination. This section is revised to provide that, at termination of the Trust, each participating district is responsible for paying its own bills and receives payment for any positive balance that it maintains after payment of run-out claims and expenses. At termination, maintenance of the pooling nature of the contributions does not make much sense in the final collection and distribution.

Should you have any questions or concerns regarding these proposed changes, please do not hesitate to contact either myself or Mark Salvia.

12/6/11
@ 3:30 PM

Northwestern Region Employee Benefit Trust
TRUST AGREEMENT

AGREEMENT OF TRUST dated the 28th day of October, 1992, established by Northwest Tri-County Intermediate Unit, located at 252 Waterford Street, Edinboro, Erie County, Pennsylvania.

WITNESSETH:

WHEREAS, the Northwestern Region Employee Benefit Trust was established on the 28th day of October 1992 by the Board of Directors of the Northwest Tri-County Intermediate Unit under the auspices of the Internal Revenue Code; and

WHEREAS, six other qualifying entities as described herein have become members by procedures set forth by this Trust Agreement and in accordance with the Bylaws of the Trust; and

WHEREAS, The Trust has been organized as a 501(c)(9) Voluntary Employee Benefit Association, under all applicable federal laws and regulations governing such entities; and

WHEREAS, the Board of Trustees and the employer members of the Trust desire to make certain revisions to the original agreement of trust to accommodate various funding schemes for employee benefits and to clarify procedures and policy regarding withdrawal from the Trust.

NOW THEREFORE, be it resolved that this Trust Agreement of the Northwester Region Employee benefit Trust be revised as set forth herein, such revision to become effective on the first day of July, 2000.

ARTICLE I: NAME

The Trust shall be known as "NORTHWESTERN REGION EMPLOYEE BENEFIT TRUST" (hereafter "Trust").

ARTICLE II: PURPOSE

The purpose of this Trust shall be to serve as a vehicle for the provision or purchase of employee benefits, such as (but not limited to): medical, hospitalization, dental, vision, wellness and life insurance benefits.

ARTICLE III: MEMBERSHIP

3.1 A school district, Pennsylvania public school employer, or any unit established by the laws of the Commonwealth of Pennsylvania in the administration of the school laws thereof which is an employer of persons to carry out free public education in conformity thereto, may become a member of the Trust upon acceptance as provided herein.

3.2.1 An Employer desirous of joining the Trust shall signify its intention by furnishing to the Secretary of the Trustees or his designee a certified copy of the resolution of the governing body of such Employer indicating its intention so to do. At the same time the Employer shall notify the Trust regarding which of the three benefit funding arrangements set forth in Article IV it chooses to utilize. If the Trustees, by an affirmative vote of sixty-six and two-thirds (66 2/3%) percent of the membership thereof present and voting, agree to accept the applicant for membership, then the applicant shall become a member of the Trust on an effective date agreed upon by both the applicant and the Trustee.

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3.2.2 Any new Employer admitted to the Trust will be considered a full and equal member of the Trust. The initial period of membership will be three (3) years. 3.3 The member districts or other units who are members of the Trust shall be designated as "Employers" in this Agreement.

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Deleted: (It may be necessary before admitting new employers to the Trust to require such new employers to make an entrance payment. This payment would be necessary to make up for initial start-up/capitalization costs of the TRUST. This entrance payment would be decided by mutual agreement between the TRUST and the new employer.)¶

3.4.1 Employers which are health plan participants shall be entitled to appoint four (4) trustees to the Trust consisting of (1) one trustee to represent the professional employee group; (2) one trustee to represent the school board; (3) one trustee to represent the central administrative staff; and (4) one trustee to represent the non-professional employee group.

3.4.2 An Employer which is a vision, dental, life insurance, (or such other) plan participant, but does not participate in the health plan, shall be entitled to appoint one (1) trustee of its choice to the Trust. An Employer shall be limited to appoint one (1) trustee (when it is not a health plan participant) even if it is a participant in more than one of the non-health plan arrangements.

3.4.3 An Employer shall have no more than four (4) trustees.

3.5 An Employer may appoint one permanent alternate Trustee to attend and vote at Trust meetings in the event of the sickness, disability or other inability of a duly appointed Trustee which prevents him from attending a scheduled meeting. The alternate Trustee may attend Trust meetings, but will exercise voting rights only in the absence of a regular Trustee of the Employer.

ARTICLE IV: FUNDING ARRANGEMENTS

4.1 Membership in the Trust may involve one or a combination of three different arrangements for funding employee benefits provided through the Trust:

(a) Pooled funding. In this arrangement, Employers contribute funds to a pool from which costs of claims, administration and other expenses are paid. At any given time, should contributions paid into the pool by an individual Employer be insufficient to cover that Employer's costs, pool funds contributed by other Employers will be used to make up the shortfall. The Trustees may increase the contribution rates for Employers in a deficit position at their discretion.

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(b) Cost-reimbursement funding. This funding arrangement shall be limited to those Employers who have more than five hundred (500) employees. In this arrangement, Employers contribute sufficient funds to cover costs of claims,

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administration and other expenses for a mutually agreeable period at the time they join the Trust. The Trust will then pay for the costs of claims administration and other expenses on a periodic basis, and the Employer will reimburse the Trust for such expenses following receipt of a statement of account for such expenses.

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(c) Insured funding. This funding arrangement shall be limited to those Employers who are already members of the Trust and have more than five hundred (500) employees. Further, this funding arrangement shall only apply to the Stop Loss Fund. In this arrangement, Employers deposit with the Trust sufficient funds to pay the premium for insurance purchased by the Trust. Such insurance may, at the discretion of the Employer, provide coverage for all claims or for only those claims that exceed a deductible level selected by the Employer. Such deposits shall be made with the Trust at least one day prior to their being due and payable by the Trust.

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4.2 In signifying its intention to join the Trust, a new Employer shall indicate to the Trustees the funding arrangement it wishes to utilize. Upon approval of membership by the Trustees, the new Employer will be assigned the funding arrangement of its choice.

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4.3 Employers who choose the Cost-reimbursement funding arrangement or the Insured funding arrangement may petition the Trustees to adopt the Pooled funding arrangement any time after six months following their membership in the Trust. If the Trustees, by an affirmative vote of sixty-six and two-thirds (66 2/3%) percent of the membership thereof present and voting, agree to accept the petition to adopt the Pooled funding arrangement, then the petitioner shall be assigned to the Pooled funding arrangement on an effective date agreed upon by both the applicant and the Trustees.

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ARTICLE V: ADMINISTRATION OF THE PLAN

5.1 To carry out the purposes of the Trust, the Employers have adopted or will adopt schedules of benefits and regulations to provide health and welfare benefits, dental and vision benefits, life insurance, health maintenance organization (HMO), preferred provider program, and other such benefit plans for employees of the respective Employers, all of which have been set forth in Exhibits and designated as "the Plan".

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5.2 The Trustees, having assumed the general obligation and responsibility for carrying into effect the Plan, may designate persons or corporations as their agents to act in their behalf in the administration of the Plan or its component plans.

5.3 The Trustees, by an affirmative vote of sixty-six and two-thirds (66 2/3%) percent of their number who are present and voting, after prior written notice to the Employers of their intention so to do, may remove any agent for administration at any time without cause, subject to ninety (90) days written notice to the agent. The agent may resign effective not less than ninety (90) days upon written notice to the Secretary of the Trustees or his designee. The foregoing notwithstanding, the Trustees may not make such removal of an administrator of an insured plan where such administrator is name in a collective bargaining agreement between an Employer and one or more of its collective bargaining units, without the express, written consent of the Employer.

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5.4 The Trustees shall require any agent designated by it as an administrator of the Plan (or component plans) to keep accurate and detailed records of its administration of the Plan which records shall be open for examination during regular business hours by any person authorized in writing by the Employers and the Trustees. An administrator will, on such a date as determined by the Trustees, file with the Trustees a summary of its administration since the last statement, which shall include all information as set forth in the administration agreement between the Trustees and the administrator.

5.5 The Trustees may require an administrator to procure a commercial blanket fidelity bond in such amount, but not to exceed $500,000 as may be deeded appropriate by the Trustees for the faithful performance and proper handling of funds by an administrator and its employees, the cost thereof to be borne by the administrative agent.

ARTICLE VI: CONTRIBUTIONS

6.1.1 Upon written notice from the Trustees, Employers participating in the pooled funding arrangement shall pay to the Trustees such sums as are determined on actuarial principles to be adequate to cover the annual claim costs of the Plan plus sufficient reserves to provide health and welfare, vision and dental benefits, and such other benefits, set forth in the Plan and all operating costs thereof, all of which are referred to hereinafter as "contributions". Each Employer in the pooled funding arrangement recognizes that there may be times when there are insufficient funds, including reserves, to cover a program's costs, and that there may be times when there are insufficient funds, including reserves, to cover a program's costs, and therefore it may be necessary for the Trustees to increase a contribution rate during the course of a fiscal year in order to pay for the program cost.

6.1.2 Each Employer participating in the cost reimbursement funding arrangement will deposit in advance with the Trustees sufficient funds to pay for claims and administrative costs or a mutually-agreeable period of time, and will replenish these accounts as needed on a periodic basis following receipt of a statement of account for such expenses. The Trustees will establish a budget rate estimated to be sufficient to meet such monthly obligations, and each Employer in the cost-reimbursement funding arrangement may deposit such budgeted amount on a monthly basis, but such Employer shall be responsible for payment of all costs incurred and properly accounted for by the Trust on a periodic basis, except that the Trustees may extend a line of credit to any such Employer for a period of time at an interest rate comparable to rates earned on other investments of the trust fund made by the Trustees pursuant to Paragraph 6.6 below. All funds so deposited by Employers in the cost-reimbursement funding arrangement shall also be known as "contributions."

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6.1.3 Employers participating in the insured funding arrangement shall deposit with the Trustees in advance such sums as are determined to be due as their share of the premium and associated costs of the insured plan and shall make such deposits on such periodic basis as is required by the plan. All funds so deposited by employers in the insured funding arrangement shall also be known as "contributions."

6.2 Employers shall be responsible for the collection of employee contributions.

6.3 Employers shall be responsible for one hundred (100%) percent of the total contributions to the Trust.

6.4.1 For Employers participating in the pooled funding arrangement, each employer shall be responsible for providing sufficient contributions so that its contributions are at least equal to the costs set forth in Paragraph 6.1.1 above for each of that Employer's employees times the number of the Employer's employees for each plan month that such Employer participates.

6.4.2 Each Employer participating in the cost-reimbursement or insured funding arrangements shall be responsible for providing sufficient contributions to pay for its share of any benefits obtained through the Trust, of the costs of administration of the plan and of operating costs of the Trust (as that share may be determined).

6.5 The Employers shall pay to the Trustees their contributions in cash or in the form of such other property as may be deemed acceptable by the Trustees and which shall have been delivered to the Trustees free of any claim or lien thereon.

6.6 All contributions so received, together with the income therefrom and any increment thereon shall be collectively referred to and held as the "Trust Fund" which shall be held, invested, reinvested, and administered by the Trustees pursuant to the terms of this Agreement without distinction between principal and income and without liability for the payment of interest thereon.

6.7 The Trustees shall not be responsible for the collection of any contribution under or required by the Plan but shall be responsible only for the administration of the Trust Fund as set forth herein.

6.8 The Trustees shall be responsible for the adoption of contribution or budget rates as set forth in Sections 6.1.1, 6.1.2 and 6.1.3 above.

6.9 The Plan, the Agreement, and the Trust Fund are intended to meet all of the requirements of the Internal Revenue Code of 1954 (in particular, Section 501) and any amendments thereto.

ARTICLE VII: FUNDING POLICY

7.1 The Trustees shall establish schedules by which monthly contributions for funding the benefits as provided by the Plan (and its component plans) shall be made,, such schedules shall be known as the funding policy.

7.2 The Trustees shall be guided by the funding policy in the investment and reinvestment of contributions and income from the trust fund.

7.3 The Trustees, after consideration of the impact upon contributions pursuant to the Plan (and its component plans), may make such changes as may seem best from time to time and communicate such changes in writing to the Employers.

7.4 The Trustees, pursuant to the Plan (and its components plans) in the establishment and conduct of a funding policy consistent with the purposes of the Plan (and its component plans) and the requirements of applicable law shall exercise their discretion in making investments of Trust funds so as to provide sufficient cash assets in the appropriate amount under the funding policy then in effect to the end that liquidity requirements for the administration of the Plan (and its component plans) shall be met promptly and economically.

7.5 The Trustees shall communicate in writing with the business administrator or such other designated representative of the Employers when notifying them of the funding policy or any changes in it.

ARTICLE VIII: DISBURSEMENTS FROM TRUST FUND

8.1 No part of the Trust Fund shall be used for or diverted to purposes other than for the exclusive benefit of the participants under the Plan and their beneficiaries, except expenses of administration and operation may be made from the Trust Fund as provided hereinafter.

8.2.1 From contributions received from Employers in the pooled or cost-reimbursement funding arrangement, the Trustees shall deposit in a claims checking account such funds as will enable an administrative agent to pay benefits in conformity to the Plan.

8.2.2 From contributions received from Employers in the insured funding arrangement, the Trustees shall deposit sums received from Employers and remit them for payment for insured plan premiums and associated costs.

8.3 The funds so disbursed by an administrative agent and the accounts kept in connection therewith shall be open at all times during regular business hours to the inspection thereof by the Trustees, Employers and their representatives, and an administrative agent shall periodically render an accounting of all funds disbursed by it.

8.4 The Employers agree that the Trustees shall not be responsible for the application of trust funds drawn out of the account managed by an administrative agent for the payment of benefits, and the Employers shall look solely to the administrative agent for the faithful receipt and disbursement of such funds.

8.5 The expenses incurred by the Trustees in the performance of their duties, including fees for accounting, actuarial and legal services, as well as the services of an administrative agent, and all other proper charges and disbursements of the Trustees, including but not limited to investigation fees and charges for the purchase of liability protection of the individual Trustees, and fidelity bonds in connection with carrying out the functions of the Trust, shall be paid out of the Trust Funds from funds in the hands of the Trustees, unless paid by the Employers and the Trustees shall render an accounting of those expenses at such intervals as the Employers may require.

ARTICLE IX: POWERS OF TRUSTEES

9.1 The Trustees are empowered in their discretion to invest trust funds of any sort in investments permitted by the laws of the Commonwealth of Pennsylvania for the investment of trust funds and the Trustees may change the form of any trust assets without prior approval of the Employers. The Trustees may invest and reinvest the funds held by them without distinction between principal and income and in such amounts and in such investments as may be permitted by the laws of the Commonwealth, subject however to the needs of liquidity for the operation of the Plan in order that the benefits provided thereunder shall at all times be adequately funded for prompt payment.

9.2 Any action taken by a majority of the Trustees present and voting at a meeting thereof shall be deemed to act of all of the Trustees and the Trustees in administering the Trust Fund are authorized and empowered subject to the Funding Policy of the Employers and in performance of the duties of Trustees as enumerated hereinafter, to perform any or all of the following acts and functions:

(a) To sell at public or private sale, for cash or upon credit, or otherwise dispose of any property belonging to the Trust and no person dealing with the Trustees shall be bound to see to the property of any such sale or other disposition, or to the proper application of the proceeds thereof;

(b) To adjust, settle, contest, compromise, or sue or arbitrate any claim, debt, or damages due or owning to or from the Trust Fund and to commence, prosecute or defend any legal proceedings arising therefrom or in connection therewith

(c) To exercise by themselves or by general or limited power of attorney, any right, including the right to vote, incident to any securities or other property held by them;

(d) To borrow money upon such terms and conditions as may be deemed advisable to carry out the purposes of the Trust Fund and to give such assurances of repayment as may be required by the lender or lenders thereof and to pledge securities or other property for the repayment of such loans, provided that any debt or line of credit be structured so that if the Trust did not have funds to pay the obligations, the bank or creditor would be required to look to Employers for repayment out of current revenues or other funds currently available to them;

(e) To invest all or part of the Trust Fund in interest-bearing deposits with a bank or similar financial institutions, including but not limited to investments in time deposits, savings deposits, certificates of deposit, or such securities as are permitted for the investment of trust funds under the laws of the Commonwealth of Pennsylvania;

(f) To hold any investment in bearer form or to register any investment haled in the Trust or in the name of The Trust or in the name of a nominee;

(g) To employee suitable investment advisers, agents, accountants and counsel and to pay their reasonable expenses and compensation;

(h) To hold all or any part of the Trust Fund uninvested;

(i) The Trustees may appoint advisory committees consisting of employees of Employers to assist them in the discharge of their obligations under this Agreement.

(j) To exercise generally any of the powers which an individual owner might exercise in connection with property held by the Trust Fund and to do all other acts that the Trustees may deem necessary or proper to carry out the powers of the Trustees hereinbefore granted or otherwise in the best interest of the Trust Fund.

ARTICLE X. DUTIES OF TRUSTEES

10.1 The Trustees shall discharge their duties under this Agreement solely for the benefit of the participants and their beneficiaries in an efficient and economical manner.

10.2 To accomplish their duty, the Trustees are vested with the oversight of administrative agents, the acceptance of contributions to the Trust Fund, management of the trust property and the execution of the duties of investments, planning and distribution of funds in conformity to law and this Agreement.

10.3 It is expressly understood that while the Trustees are the means of carrying into effect the Plan, the Trustees are in no sense parties to the Plan and at all times and under all circumstances, the parties to the Plan are the Employers, the member-school units and districts, and their employees, for whose benefit this Agreement has been entered into and for whose benefit the Plan has been devised and is funded.

10.4 The Trustees are expected in the exercise of their functions to use the care, skill, judgment and diligence under the circumstances prevailing that a reasonable prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

10.5 The Trustees may consult with counsel of their selection and the Trustees shall not be deemed imprudent by reason of their acting in conformity with the opinion of counsel. The expense of retention of counsel to the Trustees shall be borne out of the Trust Fund as an expense of operation thereof. In the event of a Participating Employer becomes involved in a legal proceeding involving its participation in the Trust, the Trustees shall employ counsel to participate in the legal proceeding in order to protect the Trust's interests. Participating Employers shall give reasonable notice to the Trust of any legal matter involving this Trust or any Plan Document.

10.6 To the extent permitted by law, the Employers agree to indemnify and hold harmless the Trustees from and against any liability that the Trustees may incur in the administration of the Trust Fund, unless such liability arises from the Trustees' negligent or willful breach of the provisions of this Agreement.

10.7 The Employers agree that if any bond or security for faithful performance of the duties of the Trustees should be required the cost thereof shall be borne by the Employers.

10.8 As they may deem appropriate, the Trustees shall be entitled to require of the Employers, administrative agents, or any other person engaged in the administration of the Plan or the investment of the Trust Fund, or having any interest in the Plan, or arising by virtue of this Agreement, such granted the Trustees under this Agreement.

10.9 For the convenient administration of the Trust and carrying into effect the provisions of this Agreement, the Trustees are empowered to appoint from their number an executive committee to function on behalf of the Trustees in the interim between meetings of the Trustees and to vest such committee with all power and authority to carry out their appointment, subject however, to the obligation of the executive committee to make timely and appropriate reports of their functions to the Trustees.

ARTICLE XI: SUCCESSION OF TRUSTEES

11.1 The Trustees and their successors in trust may be removed at any time, with or without cause, by the Employers. Any Trustee hereunder may resign at any time by giving written notice to the Secretary of the Trustees and to the appointing Employer.

11.2 Upon resignation, or in the event of removal or disqualification of a Trustee, the Employers such Trustee shall appoint a successor Trustee in accordance with the provisions of Article III.

11.3 A successor Trustee shall, upon his acceptance of appointment, have the same right, title, powers, duties, discretions and immunities as an original Trustee. appointed hereunder.

11.4 Upon appointment of a Trustee, such Trustee shall execute and deliver to the Secretary of the Trustees, or his designee, a written acceptance of the office of the Trustee and his assurance that in event of any conflict of interest between himself as an individual and his exercise of the office of Trustee that he will take no part in the deliberation of such question as a Trustee nor will he vote upon the disposition of such matters by the Trustees.

11.5 All acceptances of trust and statements of no conflict of interest executed by the Trustees, shall be kept on file with the Secretary of the Trustees, or his designee.

ARTICLE XII: LIMITATION ON TRUSTEES

12.1 The Trustees, having appointed and administrative agent(s) to administer the Plan, are not responsible for the administration of the Plan except for the determination of a claim situation appealed from the decision of an administrative agent.

12.2 The Trustees are not in any way responsible for the adequacy of contributions to the Trust Fund to discharge any liabilities or expenses of administration of the Plan.

12.3 The Trustees may rely conclusively upon any written notice, instructions, direction or other communication of an administrative agent(s) with respect to administration of the Plan.

12.4 Any action required by any provision of this Agreement to be taken by an Employer shall be evidenced by a resolution of the Board of Directors of the Employer, a copy of which has been certified to the Trustees by the Secretary of the Board under its seal and the Trustees shall be fully protected in relying upon any action of the Employer so certified.

12.5 Unless otherwise specifically prescribed in this Agreement, any action of an Employer, including the approval of, or filing exceptions to, the Trustees' accounts, shall be evidenced by a certificate signed by an officer of the Employer, and the Trustees shall be fully protected in relying upon such certificate.

12.6 The Trustees may accept a certificate signed by an officer of an Employer as proof of any fact or matter that the Trustees deem necessary or desirable to have established in the administration of the Trust Fund (unless other evidence of such fat or matter is expressly prescribed herein) and the Trustees shall be fully protected in relying upon the statements in such certificate.

12.7 The Trustees shall be entitled conclusively to rely upon any written notice, instruction, direction, certificate, or other communication believed by them to be genuine and to be signed by the proper person or persons, and the Trustees shall be under no duty to make investigation or inquiry as to the truth, accuracy or completeness of any statement contained therein.

ARTICLE XIII: ACCOUNTS AND RECORDS

13.1 The Trustees shall keep accurate and detailed accounts of all receipts and disbursements, investments, and all other transactions within their handling and all such accounts and other records and correspondence relating thereto shall be open to inspection and audit at all reasonable times by the administrative agent or any person or persons authorized by an Employer.

13.2 Within one hundred eighty (180) days following the close of any fiscal year of the Trust Fund, the Trustees shall file with the Employers a written account setting forth all receipts, disbursements, investments, and other transactions effected by them during the fiscal year and the Employers may require the Trustees to furnish to them such interim or partial accounts as may be considered by the Employers to be necessary for the proper oversight of the transactions of the Trustees.

13.3 Upon the expiration of sixty (60) days after the filing of an account for a fiscal year as provided in Section 13.2 above, and thirty (30) days in the case of all other accounts, if no Employer has filed a written exception or objection to such account, then the Trustees shall be forever released, remised and discharged from all liability and accountability with respect to the property of such account or the transactions shown therein.

13.4 To the extent permitted by law, no person other than the Employers may require an accounting or bring any action against the Trustees with respect to the Trust Fund or their actions as Trustees.

13.5 Notwithstanding any other provision of this Article, the Trustees shall have the right to a judicial settlement of their account(s).

13.6 In any proceeding for a judicial settlement of the accounts of the Trustees, or for instructions in connection with the Trust Fund, the only necessary party thereto in addition to the Trustees shall be the Employers.

13.7 If the Trustees so elect, they may bring in any other person or persons as a party or parties defendant in any proceeding for a judicial settlement of the accounts of the Trustees.

ARTICLE XIV: EXECUTIVE COMMITTEE OF THE TRUSTEES

14.1 The Trustees may, if they choose to do so, appoint an Executive Committee consisting of such of their number as they may decide, to serve in the periods between the regular or special meetings of the Trustees, for the purposes of continuous oversight and supervision of the affairs of the Trust.

14.2 The Executive Committee so appointed shall have such general powers as are herein granted by the Employers to the Trustees and the same may be exercised by a majority of the Executive Committee, with the action to be reported to the Trustees at their next meeting.

14.3 The members of the Executive Committee so appointed shall be entitled to the same immunities as the Trustees generally in the performance of their duties and shall be protected from liability to the same extent as the Trustees generally as described hereinbefore.

14.4 The Trustees may enlarge, restrict or abolish the Executive Committee and its functions at any time without required to answer to anyone but the Employers for such action.

14.5 The Executive Committee shall keep accurate and careful records of their proceedings and hold the same open to inspection by the Trustees and the Employers to the same extent as other records of the Trustees are subject thereto.

ARTICLE XV: AMENDMENT OF AGREEMENT

By affirmative vote of at least sixty-six and two-thirds (66 2/3%) percent of the Board of Directors of the Employers, this Agreement may be amended in whole or in part, with the exception of Article VII, 8.1, by an instrument in writing duly executed on behalf of the respective Employers and copies thereof provided the Trustees and the administrative agent, and provided that no amendment which affects the rights, duties, responsibilities or immunities of the Trustees may be made without their consent.

ARTICLE XVI: WITHDRAWAL AND TERMINATION

16.1.1 Withdrawal by an Employer – Generally. An Employer may withdraw from the Trust or any particular benefit plan or program sponsored by the Trust at the end of the relevant fiscal, plan or program year with ninety (90) days prior written notice to the Trust. Any claim, line of credit balance, pertinent administrative operating costs, the cost or premium of any benefit plan or program, and any other applicable cost under any plan or program administered by the Trust which are incurred prior to the date of withdrawal, and which are known or unknown as of the date of closing and settlement of accounts shall be paid by the withdrawing Employer.

16.1.2 Withdrawal form Pooled Funding Arrangement.[1] Upon withdrawal, the Trust shall provide written notification to the withdrawing Employer of its balance in remaining in the Trust as of the date of withdrawal. The Employer's balance shall be measured for the entire period of its membership by subtracting from its total contributions its total costs, including the cost of its claims – paid or incurred but not paid, its pro rata share of any line of credit usage outstanding at the time of withdrawal, its share of current administrative and operating costs, and its share of any other obligations undertaken by the Trust.

(a) In the event that the withdrawing Employer's calculated balance is negative, such Employer shall pay such amount to the Trust within sixty (60) days of such notification as is necessary to bring the Employer's balance to zero. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms.

(b) In the event that the withdrawing Employer's calculated balance is positive, then that amount shall be returned to the withdrawing Employer following the satisfaction of all of the Employer's run-out claims and expenses, for which the withdrawing Employer shall remain responsible.

(c) The Trust shall maintain the withdrawing Employer's positive balance for one (1) year from the date of withdrawal for the purposes of satisfying all run-out claims and expenses. If, during the one year, the payment of run-out claims and expenses causes the withdrawing Employer's balance to become negative, the Trust shall bill the withdrawing Employer monthly. The withdrawing Employer shall pay such amounts to the Trust within thirty (30) days of receipt of such bill. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms.

(d) Following the one (1) year, the Trust shall provide written notification to the withdrawing Employer of any amount owed to the Trust as a result of the run-out claims and expenses. The withdrawing Employer shall pay such final amount to the Trust within thirty (30) days of such notification. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise

[1] This provision for withdrawing Employers shall not apply to withdrawals from the Mini-Pool.

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Deleted: the amount owed on the date of withdrawal, or, when notified of such amount being due. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms. For purposes of determining the amount owed by the withdrawing Employer, the following calculations shall be made:

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Deleted: The Employer's balance shall be measured for the entire period of its membership by subtracting from its total contributions its total costs, including the cost of its claims – paid or incurred but not paid, its pro rata share of any line of credit usage outstanding at the time of withdrawal, its share of current administrative and operating costs, and its share of any other obligations undertaken by the Trust.

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(b) From this balance shall be subtracted a withdrawal penalty, the amount of which shall be determined on the day immediately prior to the date of withdrawal as set forth in the following schedule:¶

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If the period of the Employer's membership in the Pooled Funding Arrangement is: ... [1]

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Deleted: The amount resulting by subtracting the withdrawal penalty calculated pursuant to sub-paragraph (b) from the balance calculated pursuant to sub-paragraph (a) shall be the amount owed by the withdrawing Employer. If this amount

Deleted: is greater than zero

Deleted: , but only to the extent that the remaining balance in the Trust Fund is sufficient to cover six months' projected expenses, or such other amount as the Trustees may from time to time establish

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commercially reasonably terms. If the withdrawing Employer still maintains a positive balance with the Trust following the payment of all run-out claims and expenses, such balance shall be paid to the withdrawing Employer.

(e) Any reserves being held by Highmark, in its capacity as Third Party Administrator, on behalf of any withdrawing Employer shall be considered in the final account of the withdrawing Employer and applied towards any negative balance that may exist, or following the payment of all run-out claims and expenses, distributed to the withdrawing Employer with the remainder of its positive balance.

> **Deleted:** If the withdrawing Employer is a founding member of the Trust for whom a reserve is being held, such reserve should

16.1.3 Withdrawal from Cost Reimbursement Funding Arrangement. Any Plan funded by an Employer through a cost reimbursement arrangement shall not be closed until all claims incurred through the withdrawal date and all administrative, operating and line of credit costs are satisfied by the Employer. Any surplus funds remaining in the relevant account will then be returned to the Employer.

16.1.4 Withdrawal from Insured Plan Funding Arrangement. Any Plan funded by an Employer through an insured funding arrangement shall not be closed until all premiums due through the withdrawal date and all administrative, operating and line of credit costs are satisfied by the Employer. Any surplus funds remaining in the relevant account will then be returned to the Employer.

16.2.1 Termination of Trust. This Agreement and the Trust may be terminated at any time by the unanimous agreement of the Employers, that is, the affirmative votes of the Boards of all of the Employers. Additionally, in the event that a majority of the Employers who utilize the pooled funding arrangement withdraw from the Trust, such withdrawal shall result in the termination of the Trust. Any claim, line of credit balance, pertinent administrative and operating costs, the costs of any benefit plan or program, and any other applicable costs, under any plan or program administered by the Trust which is incurred prior to the date of termination, and which are know or unknown as of the date of closing and settlement of accounts, shall be paid by the withdrawing Employers according to their respective obligations to the particular program and plans in which they participate. Any positive balances that remain shall be paid to Employers after one year from the date of termination after the payment of run-out claims and expenses during that period based upon a proration of the Employers' respective positive balances in the Trust over the years of participation in the Trust as compared to all other participating Employers. If insufficient funds remain in the Trust to pay all Employers in full the amount of any positive balances, each Employer which has a positive balance shall be paid an amount based upon a proration of the Employers' respective positive balances in the Trust over the years of participation in the Trust as compared to all other participating Employers.

> **Deleted:** by All Employers – Generally

> **Deleted:** withdrawal

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16.2.2 Termination of the Pooled Funding Arrangement. In the event of termination of the Agreement and of the Trust by all of the Employers, the funds remaining in the Trust Fund paid on account of membership in the Pooled Funding Arrangement shall be distributed to the then terminating Employers in the Pooled Funding Arrangement as provided herein, for the benefit of the then participants or their beneficiaries.

(a) Upon termination of the Pooled Funding Arrangement, each Employer's balance with the Trust shall be determined as set forth in paragraph 16.1.2. Any Employer with a negative balance shall deposit the amount of such negative balance in the Trust Fund in a timely manner set forth in Paragraph 16.1.2.

(b) Following such deposits, an accounting of all claims, line of credit balances, administrative, operating and liquidating expenses of the Trust and of the plan and any outstanding claim, suit or other charge shall be made. If there is a negative balance after all claims, line of credit balance, and administrative, operating and liquidating expenses are taken into account, then all Employers then participating in the Pooled funding arrangement shall reimburse the Trust on the basis of the Formula for Distribution or Collection of Funds set forth in Paragraph 16.2.2(e) below.

(c) If after making the accounting pursuant to Paragraph 16.2.2(b) there is a positive balance, then each Employer with a positive balance shall be reimbursed the amount of that positive balance. If insufficient funds are available to reimburse these positive balances in full, then the positive balances shall be summed and a percentage of the sum derived for each Employer with a positive balance. The reimbursement shall then be made on the basis of those percentages.

(d) If, after making any reimbursements required under Paragraph 16.2.2(c), there is a remaining positive balance, then that balance shall be reimbursed to the Employers on the basis of the Formula for Distribution or Collection of Funds in Paragraph 16.2.2(e).

(e) Formula for Distribution or Collection of Funds. Upon termination, the Trust shall provide written notification to all Employers of their balance in remaining in the Trust as of the date of termination. Each Employers' balance shall be measured for the entire period of its membership by subtracting from its total contributions its total costs, including the cost of its claims – paid or incurred but not paid, its pro rata share of any line of credit usage outstanding at the time of termination, its share of current administrative and operating costs, and its share of any other obligations undertaken by the Trust.

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(i) In the event that any Employer's calculated balance is negative, such Employer shall pay such amount to the Trust within sixty (60) days of such notification as is necessary to bring the Employer's balance to zero. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms

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(ii) In the event that any Employer's calculated balance is positive, then that amount shall be returned following the satisfaction of all of the Employer's run-out claims and expenses, for which the Employer shall remain responsible.

(iii) The Trust shall maintain all positive balances for one (1) year from the date of termination for the purposes of satisfying all run-out claims and expenses. If, during the one year, the payment of run-out claims and expenses causes an Employer's balance to become negative, the Trust shall bill such Employer monthly. The Employer shall pay such amounts to the Trust within thirty (30) days of receipt of such bill. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms.

(iv) Following the one (1) year, the Trust shall provide written notification to all Employers of any amount owed to the Trust as a result of the run-out claims and expenses. Employers shall pay such final amount to the Trust within thirty (30) days of such notification. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms. If any Employer still maintains a positive balance with the Trust following the payment of all run-out claims and expenses, such balance shall be paid to the Employer.

(v) If any Employer is a member of the Trust for whom a reserve is being held by Highmark, as a Third Party Administrator, such reserve should be considered in the final account of the Employer and applied towards any negative balance that may exist, or following the payment of all run-out claims and expenses, distributed to the Employer with the remainder of its positive balance; provided, however, that such member's reserve shall not be included in the calculation of the amount of any positive balance remaining in the Trust, but shall be distributed solely to the founding member after payment of all run-out claims and expenses.

16.2.3 Cost/Reimbursement Funding Arrangement. Any plan funded by any Employer through a cost reimbursement arrangement shall be closed as provided by paragraphs 16.1.1 and 16.1.3 above.

ARTICLE XVII: MISCELLANEOUS PROVISIONS

17.1 The establishment of this Trust or any amendment thereof shall not give to any employee, his dependents, heirs or personal representatives, any legal or equitable right against the Employers, their officers, directors, or the Trustees not specifically provided for in this Agreement.

17.2 The rights of any employee to employment by any of the Employers who are parties to this Agreement shall not be enlarged, diminished, or in any way affected by this Agreement and all employees shall remain subject to their contracts of employment to the same extent as if this Agreement had not been executed.

17.3 In the event of dissolution, merger or consolidation of any of the Employers, the successors or successors thereof may continue the Plan subject to the provisions of this Agreement with such alteration of operation as may be found best for the orderly, efficient and economical functioning of the Plan for the benefit of the participants therein.

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Inserted: ii) Following the one (1) year, the Trust shall provide written notification to all Employers of any amount owed to the Trust as a result of the run-out claims and expenses. Employers shall pay such final amount to the Trust within thirty (30) days of such notification. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms. If any Employer still maintains a positive balance with the Trust following the payment of all run-out claims and expenses, such balance shall be paid to the Employer.¶
(iv) If any Employer is a founding member of the Trust for whom a reserve is being held

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Deleted: Any distribution of funds from the Trust Fund or collection of funds owed to the Trust Fund shall apply only to the then current employers in the Pooled Funding Arrangement as shall this formula. To determine each Employer's share of any such distribution or collection of funds, the census of each Employer's employees participating in the Pooled funding arrangement shall be counted for each month of the Employer's participation. A sum of these monthly censuses shall be made for each Employer and for all Employers and a percentage figure of the census sum for all Employers shall be derived for each Employer. That percentage shall represent each Employer's share of any distribution or collection of funds.

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17.4 Upon dissolution, merger or consolidation of any of the Employers, the successor or successors thereof, if they elect to adopt and continue the Plan, shall furnish to the Trustees an instrument duly authorized and executed, acknowledging such election and expressing the intention to abide by the terms of this Agreement in all respects.

17.5 Wherever used in this Agreement the use of the male gender shall include the female gender.

17.6 Subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, which may be applicable and provide otherwise, this Agreement, as amended, shall be administered, construed and enforced according to the laws of the Commonwealth of Pennsylvania.

17.7 The fiscal year of this Trust shall commence on July 1 of each year and conclude on June 30 of each succeeding year.

IN WITNESS WHEREOF, the Employers have caused this Agreement to be executed by the President of each Employer on behalf of its District or Unit and the corporate seal thereof to be affixed and attested by the Secretary of each District or Unit, and each of the Trustees has executed this Agreement on the date set opposite their respective executions.

ATTEST:____

(Name of School District)

BOARD OF DIRECTORS

Secretary	Date	President	Date

Document #594279, v1

If the period of the Employer's membership in the Pooled Funding Arrangement is:	And the Employer's employees covered by the Trust number: Less than 101, the penalty shall be:	Greater than 100, the penalty shall be:
Less than one year	$50,000	$100,000
At least one year but less than two years	$37,500	$75,000
At least two years but less than three years	$25,000	$50,000
At least three years but less than four years	$12,500	$25,000
Four or more years	-0-	-0-

Northwestern Region Employee Benefit Trust
TRUST AGREEMENT

AGREEMENT OF TRUST dated the 28th day of October, 1992, established by Northwest Tri-County Intermediate Unit, located at 252 Waterford Street, Edinboro, Erie County, Pennsylvania.

WITNESSETH:

WHEREAS, the Northwestern Region Employee Benefit Trust was established on the 28th day of October 1992 by the Board of Directors of the Northwest Tri-County Intermediate Unit under the auspices of the Internal Revenue Code; and

WHEREAS, six other qualifying entities as described herein have become members by procedures set forth by this Trust Agreement and in accordance with the Bylaws of the Trust; and

WHEREAS, The Trust has been organized as a 501(c)(9) Voluntary Employee Benefit Association, under all applicable federal laws and regulations governing such entities; and

WHEREAS, the Board of Trustees and the employer members of the Trust desire to make certain revisions to the original agreement of trust to accommodate various funding schemes for employee benefits and to clarify procedures and policy regarding withdrawal from the Trust.

NOW THEREFORE, be it resolved that this Trust Agreement of the Northwester Region Employee benefit Trust be revised as set forth herein, such revision to become effective on the first day of July, 2000.

ARTICLE I: NAME

The Trust shall be known as "NORTHWESTERN REGION EMPLOYEE BENEFIT TRUST" (hereafter "Trust").

ARTICLE II: PURPOSE

The purpose of this Trust shall be to serve as a vehicle for the provision or purchase of employee benefits, such as (but not limited to): medical, hospitalization, dental, vision, wellness and life insurance benefits.

ARTICLE III: MEMBERSHIP

3.1 A school district, Pennsylvania public school employer, or any unit established by the laws of the Commonwealth of Pennsylvania in the administration of the school laws thereof which is an employer of persons to carry out free public education in conformity thereto, may become a member of the Trust upon acceptance as provided herein.

3.2.1 An Employer desirous of joining the Trust shall signify its intention by furnishing to the Secretary of the Trustees or his designee a certified copy of the resolution of the governing body of such Employer indicating its intention so to do. At the same time the Employer shall notify the Trust regarding which of the three benefit funding arrangements set forth in Article IV it chooses to utilize. If the Trustees, by an affirmative vote of sixty-six and two-thirds (66 2/3%) percent of the membership thereof present and voting, agree to accept the applicant for membership, then the applicant shall become a member of the Trust on an effective date agreed upon by both the applicant and the Trustee.

3.2.2 Any new Employer admitted to the Trust will be considered a full and equal member of the Trust. The initial period of membership will be three (3) years. 3.3 The member districts or other units who are members of the Trust shall be designated as "Employers" in this Agreement.

3.4.1 Employers which are health plan participants shall be entitled to appoint four (4) trustees to the Trust consisting of (1) one trustee to represent the professional employee group; (2) one trustee to represent the school board; (3) one trustee to represent the central administrative staff; and (4) one trustee to represent the non-professional employee group.

3.4.2 An Employer which is a vision, dental, life insurance, (or such other) plan participant, but does not participate in the health plan, shall be entitled to appoint one (1) trustee of its choice to the Trust. An Employer shall be limited to appoint one (1) trustee (when it is not a health plan participant) even if it is a participant in more than one of the non-health plan arrangements.

3.4.3 An Employer shall have no more than four (4) trustees.

3.5 An Employer may appoint one permanent alternate Trustee to attend and vote at Trust meetings in the event of the sickness, disability or other inability of a duly appointed Trustee which prevents him from attending a scheduled meeting. The alternate Trustee may attend Trust meetings, but will exercise voting rights only in the absence of a regular Trustee of the Employer.

ARTICLE IV: FUNDING ARRANGEMENTS

4.1 Membership in the Trust may involve one or a combination of three different arrangements for funding employee benefits provided through the Trust:

(a) Pooled funding. In this arrangement, Employers contribute funds to a pool from which costs of claims, administration and other expenses are paid. At any given time, should contributions paid into the pool by an individual Employer be insufficient to cover that Employer's costs, pool funds contributed by other Employers will be used to make up the shortfall. The Trustees may increase the contribution rates for Employers in a deficit position at their discretion.

(b) Cost-reimbursement funding. This funding arrangement shall be limited to those Employers who have more than five hundred (500) employees. In this arrangement, Employers contribute sufficient funds to cover costs of claims, administration and other expenses for a mutually agreeable period at the time they join the Trust. The Trust will then pay for the costs of claims administration and other expenses on a periodic basis, and the Employer will reimburse the Trust for such expenses following receipt of a statement of account for such expenses.

(c) Insured funding. This funding arrangement shall be limited to those Employers who are already members of the Trust and have more than five hundred (500) employees. Further, this funding arrangement shall only apply to the Stop Loss Fund. In this arrangement, Employers deposit with the Trust sufficient funds to pay the premium for insurance purchased by the Trust. Such insurance may, at the discretion of the Employer, provide coverage for all claims or for only those claims that exceed a deductible level selected by the Employer. Such deposits shall be made with the Trust at least one day prior to their being due and payable by the Trust.

4.2 In signifying its intention to join the Trust, a new Employer shall indicate to the Trustees the funding arrangement it wishes to utilize. Upon approval of membership by the Trustees, the new Employer will be assigned the funding arrangement of its choice.

4.3 Employers who choose the Cost-reimbursement funding arrangement or the Insured funding arrangement may petition the Trustees to adopt the Pooled funding arrangement any time after six months following their membership in the Trust. If the Trustees, by an affirmative vote of sixty-six and two-thirds (66 2/3%) percent of the membership thereof present and voting, agree to accept the petition to adopt the Pooled funding arrangement, then the petitioner shall be assigned to the Pooled funding arrangement on an effective date agreed upon by both the applicant and the Trustees.

ARTICLE V: ADMINISTRATION OF THE PLAN

5.1 To carry out the purposes of the Trust, the Employers have adopted or will adopt schedules of benefits and regulations to provide health and welfare benefits, dental and vision benefits, life insurance, health maintenance organization (HMO), preferred provider program, and other such benefit plans for employees of the respective Employers, all of which have been set forth in Exhibits and designated as "the Plan".

5.2 The Trustees, having assumed the general obligation and responsibility for carrying into effect the Plan, may designate persons or corporations as their agents to act in their behalf in the administration of the Plan or its component plans.

5.3 The Trustees, by an affirmative vote of sixty-six and two-thirds (66 2/3%) percent of their number who are present and voting, after prior written notice to the Employers of their intention so to do, may remove any agent for administration at any time without cause, subject to ninety (90) days written notice to the agent. The agent may resign effective not less than ninety (90) days upon written notice to the Secretary of the Trustees or his designee. The foregoing notwithstanding, the Trustees may not make such removal of an administrator of an insured plan where such administrator is name in a collective bargaining agreement between an Employer and one or more of its collective bargaining units, without the express, written consent of the Employer.

5.4 The Trustees shall require any agent designated by it as an administrator of the Plan (or component plans) to keep accurate and detailed records of its administration of the Plan which records shall be open for examination during regular business hours by any person authorized in writing by the Employers and the Trustees. An administrator will, on such a date as determined by the Trustees, file with the Trustees a summary of its administration since the last statement, which shall include all information as set forth in the administration agreement between the Trustees and the administrator.

5.5 The Trustees may require an administrator to procure a commercial blanket fidelity bond in such amount, but not to exceed $500,000 as may be deeded appropriate by the Trustees for the faithful performance and proper handling of funds by an administrator and its employees, the cost thereof to be borne by the administrative agent.

ARTICLE VI: CONTRIBUTIONS

6.1.1 Upon written notice from the Trustees, Employers participating in the pooled funding arrangement shall pay to the Trustees such sums as are determined on actuarial principles to be adequate to cover the annual claim costs of the Plan plus sufficient reserves to provide health and welfare, vision and dental benefits, and such other benefits, set forth in the Plan and all operating costs thereof, all of which are referred to hereinafter as "contributions". Each Employer in the pooled funding arrangement recognizes that there may be times when there are insufficient funds, including reserves, to cover a program's costs, and that there may be times when there are insufficient funds, including reserves, to cover a program's costs, and therefore it may be necessary for the Trustees to increase a contribution rate during the course of a fiscal year in order to pay for the program cost.

6.1.2 Each Employer participating in the cost reimbursement funding arrangement will deposit in advance with the Trustees sufficient funds to pay for claims and administrative costs or a mutually-agreeable period of time, and will replenish these accounts as needed on a periodic basis following receipt of a statement of account for such expenses. The Trustees will establish a budget rate estimated to be sufficient to meet such monthly obligations, and each Employer in the cost-reimbursement funding arrangement may deposit such budgeted amount on a monthly basis, but such Employer shall be responsible for payment of all costs incurred and properly accounted for by the Trust on a periodic basis, except that the Trustees may extend a line of credit to any such Employer for a period of time at an interest rate comparable to rates earned on other investments of the trust fund made by the Trustees pursuant to Paragraph 6.6 below. All funds so deposited by Employers in the cost-reimbursement funding arrangement shall also be known as "contributions."

6.1.3 Employers participating in the insured funding arrangement shall deposit with the Trustees in advance such sums as are determined to be due as their share of the premium and associated costs of the insured plan and shall make such deposits on such periodic basis as is required by the plan. All funds so deposited by employers in the insured funding arrangement shall also be known as "contributions."

6.2 Employers shall be responsible for the collection of employee contributions.

6.3 Employers shall be responsible for one hundred (100%) percent of the total contributions to the Trust.

6.4.1 For Employers participating in the pooled funding arrangement, each employer shall be responsible for providing sufficient contributions so that its contributions are at least equal to the costs set forth in Paragraph 6.1.1 above for each of that Employer's employees times the number of the Employer's employees for each plan month that such Employer participates.

6.4.2 Each Employer participating in the cost-reimbursement or insured funding arrangements shall be responsible for providing sufficient contributions to pay for its share of any benefits obtained through the Trust, of the costs of administration of the plan and of operating costs of the Trust (as that share may be determined).

6.5 The Employers shall pay to the Trustees their contributions in cash or in the form of such other property as may be deemed acceptable by the Trustees and which shall have been delivered to the Trustees free of any claim or lien thereon.

6.6 All contributions so received, together with the income therefrom and any increment thereon shall be collectively referred to and held as the "Trust Fund" which shall be held, invested, reinvested, and administered by the Trustees pursuant to the terms of this Agreement without distinction between principal and income and without liability for the payment of interest thereon.

6.7 The Trustees shall not be responsible for the collection of any contribution under or required by the Plan but shall be responsible only for the administration of the Trust Fund as set forth herein.

6.8 The Trustees shall be responsible for the adoption of contribution or budget rates as set forth in Sections 6.1.1, 6.1.2 and 6.1.3 above.

6.9 The Plan, the Agreement, and the Trust Fund are intended to meet all of the requirements of the Internal Revenue Code of 1954 (in particular, Section 501) and any amendments thereto.

ARTICLE VII: FUNDING POLICY

7.1 The Trustees shall establish schedules by which monthly contributions for funding the benefits as provided by the Plan (and its component plans) shall be made,, such schedules shall be known as the funding policy.

7.2 The Trustees shall be guided by the funding policy in the investment and reinvestment of contributions and income from the trust fund.

7.3 The Trustees, after consideration of the impact upon contributions pursuant to the Plan (and its component plans), may make such changes as may seem best from time to time and communicate such changes in writing to the Employers.

7.4 The Trustees, pursuant to the Plan (and its components plans) in the establishment and conduct of a funding policy consistent with the purposes of the Plan (and its component plans) and the requirements of applicable law shall exercise their discretion in making investments of Trust funds so as to provide sufficient cash assets in the appropriate amount under the funding policy then in effect to the end that liquidity requirements for the administration of the Plan (and its component plans) shall be met promptly and economically.

7.5 The Trustees shall communicate in writing with the business administrator or such other designated representative of the Employers when notifying them of the funding policy or any changes in it.

ARTICLE VIII: DISBURSEMENTS FROM TRUST FUND

8.1 No part of the Trust Fund shall be used for or diverted to purposes other than for the exclusive benefit of the participants under the Plan and their beneficiaries, except expenses of administration and operation may be made from the Trust Fund as provided hereinafter.

8.2.1 From contributions received from Employers in the pooled or cost-reimbursement funding arrangement, the Trustees shall deposit in a claims checking account such funds as will enable an administrative agent to pay benefits in conformity to the Plan.

8.2.2 From contributions received from Employers in the insured funding arrangement, the Trustees shall deposit sums received from Employers and remit them for payment for insured plan premiums and associated costs.

8.3 The funds so disbursed by an administrative agent and the accounts kept in connection therewith shall be open at all times during regular business hours to the inspection thereof by the Trustees, Employers and their representatives, and an administrative agent shall periodically render an accounting of all funds disbursed by it.

8.4 The Employers agree that the Trustees shall not be responsible for the application of trust funds drawn out of the account managed by an administrative agent for the payment of benefits, and the Employers shall look solely to the administrative agent for the faithful receipt and disbursement of such funds.

8.5 The expenses incurred by the Trustees in the performance of their duties, including fees for accounting, actuarial and legal services, as well as the services of an administrative agent, and all other proper charges and disbursements of the Trustees, including but not limited to investigation fees and charges for the purchase of liability protection of the individual Trustees, and fidelity bonds in connection with carrying out the functions of the Trust, shall be paid out of the Trust Funds from funds in the hands of the Trustees, unless paid by the Employers and the Trustees shall render an accounting of those expenses at such intervals as the Employers may require.

ARTICLE IX: POWERS OF TRUSTEES

9.1 The Trustees are empowered in their discretion to invest trust funds of any sort in investments permitted by the laws of the Commonwealth of Pennsylvania for the investment of trust funds and the Trustees may change the form of any trust assets without prior approval of the Employers. The Trustees may invest and reinvest the funds held by them without distinction between principal and income and in such amounts and in such investments as may be permitted by the laws of the Commonwealth, subject however to the needs of liquidity for the operation of the Plan in order that the benefits provided thereunder shall at all times be adequately funded for prompt payment.

9.2 Any action taken by a majority of the Trustees present and voting at a meeting thereof shall be deemed to act of all of the Trustees and the Trustees in administering the Trust Fund are authorized and empowered subject to the Funding Policy of the Employers and in performance of the duties of Trustees as enumerated hereinafter, to perform any or all of the following acts and functions:

(a) To sell at public or private sale, for cash or upon credit, or otherwise dispose of any property belonging to the Trust and no person dealing with the Trustees shall be bound to see to the property of any such sale or other disposition, or to the proper application of the proceeds thereof;

(b) To adjust, settle, contest, compromise, or sue or arbitrate any claim, debt, or damages due or owning to or from the Trust Fund and to commence, prosecute or defend any legal proceedings arising therefrom or in connection therewith

(c) To exercise by themselves or by general or limited power of attorney, any right, including the right to vote, incident to any securities or other property held by them;

(d) To borrow money upon such terms and conditions as may be deemed advisable to carry out the purposes of the Trust Fund and to give such assurances of repayment as may be required by the lender or lenders thereof and to pledge securities or other property for the repayment of such loans, provided that any debt or line of credit be structured so that if the Trust did not have funds to pay the obligations, the bank or creditor would be required to look to Employers for repayment out of current revenues or other funds currently available to them;

(e) To invest all or part of the Trust Fund in interest-bearing deposits with a bank or similar financial institutions, including but not limited to investments in time deposits, savings deposits, certificates of deposit, or such securities as are permitted for the investment of trust funds under the laws of the Commonwealth of Pennsylvania;

(f) To hold any investment in bearer form or to register any investment haled in the Trust or in the name of The Trust or in the name of a nominee;

(g) To employee suitable investment advisers, agents, accountants and counsel and to pay their reasonable expenses and compensation;

(h) To hold all or any part of the Trust Fund uninvested;

(i) The Trustees may appoint advisory committees consisting of employees of Employers to assist them in the discharge of their obligations under this Agreement.

(j) To exercise generally any of the powers which an individual owner might exercise in connection with property held by the Trust Fund and to do all other acts that the Trustees may deem necessary or proper to carry out the powers of the Trustees hereinbefore granted or otherwise in the best interest of the Trust Fund.

ARTICLE X. DUTIES OF TRUSTEES

10.1 The Trustees shall discharge their duties under this Agreement solely for the benefit of the participants and their beneficiaries in an efficient and economical manner.

10.2 To accomplish their duty, the Trustees are vested with the oversight of administrative agents, the acceptance of contributions to the Trust Fund, management of the trust property and the execution of the duties of investments, planning and distribution of funds in conformity to law and this Agreement.

10.3 It is expressly understood that while the Trustees are the means of carrying into effect the Plan, the Trustees are in no sense parties to the Plan and at all times and under all circumstances, the parties to the Plan are the Employers, the member-school units and districts, and their employees, for whose benefit this Agreement has been entered into and for whose benefit the Plan has been devised and is funded.

10.4 The Trustees are expected in the exercise of their functions to use the care, skill, judgment and diligence under the circumstances prevailing that a reasonable prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

10.5 The Trustees may consult with counsel of their selection and the Trustees shall not be deemed imprudent by reason of their acting in conformity with the opinion of counsel. The expense of retention of counsel to the Trustees shall be borne out of the Trust Fund as an expense of operation thereof. In the event of a Participating Employer becomes involved in a legal proceeding involving its participation in the Trust, the Trustees shall employ counsel to participate in the legal proceeding in order to protect the Trust's interests. Participating Employers shall give reasonable notice to the Trust of any legal matter involving this Trust or any Plan Document.

10.6 To the extent permitted by law, the Employers agree to indemnify and hold harmless the Trustees from and against any liability that the Trustees may incur in the administration of the Trust Fund, unless such liability arises from the Trustees' negligent or willful breach of the provisions of this Agreement.

10.7 The Employers agree that if any bond or security for faithful performance of the duties of the Trustees should be required the cost thereof shall be borne by the Employers.

10.8 As they may deem appropriate, the Trustees shall be entitled to require of the Employers, administrative agents, or any other person engaged in the administration of the Plan or the investment of the Trust Fund, or having any interest in the Plan, or arising by virtue of this Agreement, such granted the Trustees under this Agreement.

10.9 For the convenient administration of the Trust and carrying into effect the provisions of this Agreement, the Trustees are empowered to appoint from their number an executive committee to function on behalf of the Trustees in the interim between meetings of the Trustees and to vest such committee with all power and authority to carry out their appointment, subject however, to the obligation of the executive committee to make timely and appropriate reports of their functions to the Trustees.

ARTICLE XI: SUCCESSION OF TRUSTEES

11.1 The Trustees and their successors in trust may be removed at any time, with or without cause, by the Employers. Any Trustee hereunder may resign at any time by giving written notice to the Secretary of the Trustees and to the appointing Employer.

11.2 Upon resignation, or in the event of removal or disqualification of a Trustee, the Employers such Trustee shall appoint a successor Trustee in accordance with the provisions of Article III.

11.3 A successor Trustee shall, upon his acceptance of appointment, have the same right, title, powers, duties, discretions and immunities as an original Trustee. appointed hereunder.

11.4 Upon appointment of a Trustee, such Trustee shall execute and deliver to the Secretary of the Trustees, or his designee, a written acceptance of the office of the Trustee and his assurance that in event of any conflict of interest between himself as an individual and his exercise of the office of Trustee that he will take no part in the deliberation of such question as a Trustee nor will he vote upon the disposition of such matters by the Trustees.

11.5 All acceptances of trust and statements of no conflict of interest executed by the Trustees, shall be kept on file with the Secretary of the Trustees, or his designee.

ARTICLE XII: LIMITATION ON TRUSTEES

12.1 The Trustees, having appointed and administrative agent(s) to administer the Plan, are not responsible for the administration of the Plan except for the determination of a claim situation appealed from the decision of an administrative agent.

12.2 The Trustees are not in any way responsible for the adequacy of contributions to the Trust Fund to discharge any liabilities or expenses of administration of the Plan.

12.3 The Trustees may rely conclusively upon any written notice, instructions, direction or other communication of an administrative agent(s) with respect to administration of the Plan.

12.4 Any action required by any provision of this Agreement to be taken by an Employer shall be evidenced by a resolution of the Board of Directors of the Employer, a copy of which has been certified to the Trustees by the Secretary of the Board under its seal and the Trustees shall be fully protected in relying upon any action of the Employer so certified.

12.5 Unless otherwise specifically prescribed in this Agreement, any action of an Employer, including the approval of, or filing exceptions to, the Trustees' accounts, shall be evidenced by a certificate signed by an officer of the Employer, and the Trustees shall be fully protected in relying upon such certificate.

12.6 The Trustees may accept a certificate signed by an officer of an Employer as proof of any fact or matter that the Trustees deem necessary or desirable to have established in the administration of the Trust Fund (unless other evidence of such fat or matter is expressly prescribed herein) and the Trustees shall be fully protected in relying upon the statements in such certificate.

12.7 The Trustees shall be entitled conclusively to rely upon any written notice, instruction, direction, certificate, or other communication believed by them to be genuine and to be signed by the proper person or persons, and the Trustees shall be under no duty to make investigation or inquiry as to the truth, accuracy or completeness of any statement contained therein.

ARTICLE XIII: ACCOUNTS AND RECORDS

13.1 The Trustees shall keep accurate and detailed accounts of all receipts and disbursements, investments, and all other transactions within their handling and all such accounts and other records and correspondence relating thereto shall be open to inspection and audit at all reasonable times by the administrative agent or any person or persons authorized by an Employer.

13.2 Within one hundred eighty (180) days following the close of any fiscal year of the Trust Fund, the Trustees shall file with the Employers a written account setting forth all receipts, disbursements, investments, and other transactions effected by them during the fiscal year and the Employers may require the Trustees to furnish to them such interim or partial accounts as may be considered by the Employers to be necessary for the proper oversight of the transactions of the Trustees.

13.3 Upon the expiration of sixty (60) days after the filing of an account for a fiscal year as provided in Section 13.2 above, and thirty (30) days in the case of all other accounts, if no Employer has filed a written exception or objection to such account, then the Trustees shall be forever released, remised and discharged from all liability and accountability with respect to the property of such account or the transactions shown therein.

13.4 To the extent permitted by law, no person other than the Employers may require an accounting or bring any action against the Trustees with respect to the Trust Fund or their actions as Trustees.

13.5 Notwithstanding any other provision of this Article, the Trustees shall have the right to a judicial settlement of their account(s).

13.6 In any proceeding for a judicial settlement of the accounts of the Trustees, or for instructions in connection with the Trust Fund, the only necessary party thereto in addition to the Trustees shall be the Employers.

13.7 If the Trustees so elect, they may bring in any other person or persons as a party or parties defendant in any proceeding for a judicial settlement of the accounts of the Trustees.

ARTICLE XIV: EXECUTIVE COMMITTEE OF THE TRUSTEES

14.1 The Trustees may, if they choose to do so, appoint an Executive Committee consisting of such of their number as they may decide, to serve in the periods between the regular or special meetings of the Trustees, for the purposes of continuous oversight and supervision of the affairs of the Trust.

14.2 The Executive Committee so appointed shall have such general powers as are herein granted by the Employers to the Trustees and the same may be exercised by a majority of the Executive Committee, with the action to be reported to the Trustees at their next meeting.

14.3 The members of the Executive Committee so appointed shall be entitled to the same immunities as the Trustees generally in the performance of their duties and shall be protected from liability to the same extent as the Trustees generally as described hereinbefore.

14.4 The Trustees may enlarge, restrict or abolish the Executive Committee and its functions at any time without required to answer to anyone but the Employers for such action.

14.5 The Executive Committee shall keep accurate and careful records of their proceedings and hold the same open to inspection by the Trustees and the Employers to the same extent as other records of the Trustees are subject thereto.

ARTICLE XV: AMENDMENT OF AGREEMENT

By affirmative vote of at least sixty-six and two-thirds (66 2/3%) percent of the Board of Directors of the Employers, this Agreement may be amended in whole or in part, with the exception of Article VII, 8.1, by an instrument in writing duly executed on behalf of the respective Employers and copies thereof provided the Trustees and the administrative agent, and provided that no amendment which affects the rights, duties, responsibilities or immunities of the Trustees may be made without their consent.

ARTICLE XVI: WITHDRAWAL AND TERMINATION

16.1.1 Withdrawal by an Employer – Generally. An Employer may withdraw from the Trust or any particular benefit plan or program sponsored by the Trust at the end of the relevant fiscal, plan or program year with ninety (90) days prior written notice to the Trust. Any claim, line of credit balance, pertinent administrative operating costs, the cost or premium of any benefit plan or program, and any other applicable cost under any plan or program administered by the Trust which are incurred prior to the date of withdrawal, and which are known or unknown as of the date of closing and settlement of accounts shall be paid by the withdrawing Employer.

16.1.2 Withdrawal form Pooled Funding Arrangement.[1] Upon withdrawal, the Trust shall provide written notification to the withdrawing Employer of its balance in remaining in the Trust as of the date of withdrawal. The Employer's balance shall be measured for the entire period of its membership by subtracting from its total contributions its total costs, including the cost of its claims – paid or incurred but not paid, its pro rata share of any line of credit usage outstanding at the time of withdrawal, its share of current administrative and operating costs, and its share of any other obligations undertaken by the Trust.

(a) In the event that the withdrawing Employer's calculated balance is negative, such Employer shall pay such amount to the Trust within sixty (60) days of such notification as is necessary to bring the Employer's balance to zero. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms.

(b) In the event that the withdrawing Employer's calculated balance is positive, then that amount shall be returned to the withdrawing Employer following the satisfaction of all of the Employer's run-out claims and expenses, for which the withdrawing Employer shall remain responsible.

(c) The Trust shall maintain the withdrawing Employer's positive balance for one (1) year from the date of withdrawal for the purposes of satisfying all run-out claims and expenses. If, during the one year, the payment of run-out claims and expenses causes the withdrawing Employer's balance to become negative, the Trust shall bill the withdrawing Employer monthly. The withdrawing Employer shall pay such amounts to the Trust within thirty (30) days of receipt of such bill. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms.

(d) Following the one (1) year, the Trust shall provide written notification to the withdrawing Employer of any amount owed to the Trust as a result of the run-out claims and expenses. The withdrawing Employer shall pay such final amount to the Trust within thirty (30) days of such notification. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms. If the withdrawing Employer still maintains a positive

[1] This provision for withdrawing Employers shall not apply to withdrawals from the Mini-Pool.

balance with the Trust following the payment of all run-out claims and expenses, such balance shall be paid to the withdrawing Employer.

(e) Any reserves being held by Highmark, in its capacity as Third Party Administrator, on behalf of any withdrawing Employer shall be considered in the final account of the withdrawing Employer and applied towards any negative balance that may exist, or following the payment of all run-out claims and expenses, distributed to the withdrawing Employer with the remainder of its positive balance.

16.1.3 Withdrawal from Cost Reimbursement Funding Arrangement. Any Plan funded by an Employer through a cost reimbursement arrangement shall not be closed until all claims incurred through the withdrawal date and all administrative, operating and line of credit costs are satisfied by the Employer. Any surplus funds remaining in the relevant account will then be returned to the Employer.

16.1.4 Withdrawal from Insured Plan Funding Arrangement. Any Plan funded by an Employer through an insured funding arrangement shall not be closed until all premiums due through the withdrawal date and all administrative, operating and line of credit costs are satisfied by the Employer. Any surplus funds remaining in the relevant account will then be returned to the Employer.

16.2.1 Termination of Trust. This Agreement and the Trust may be terminated at any time by the unanimous agreement of the Employers, that is, the affirmative votes of the Boards of all of the Employers. Additionally, in the event that a majority of the Employers who utilize the pooled funding arrangement withdraw from the Trust, such withdrawal shall result in the termination of the Trust. Any claim, line of credit balance, pertinent administrative and operating costs, the costs of any benefit plan or program, and any other applicable costs, under any plan or program administered by the Trust which is incurred prior to the date of termination, and which are know or unknown as of the date of closing and settlement of accounts, shall be paid by the withdrawing Employers according to their respective obligations to the particular program and plans in which they participate. Any positive balances that remain shall be paid to Employers after one year from the date of termination after the payment of run-out claims and expenses during that period based upon a proration of the Employers' respective positive balances in the Trust over the years of participation in the Trust as compared to all other participating Employers. If insufficient funds remain in the Trust to pay all Employers in full the amount of any positive balances, each Employer which has a positive balance shall be paid an amount based upon a proration of the Employers' respective positive balances in the Trust over the years of participation in the Trust as compared to all other participating Employers.

16.2.2 Termination of the Pooled Funding Arrangement. In the event of termination of the Agreement and of the Trust by all of the Employers, the funds remaining in the Trust Fund paid on account of membership in the Pooled Funding Arrangement shall be distributed to the then terminating Employers in the Pooled Funding Arrangement as provided herein, for the benefit of the then participants or their beneficiaries.

(a) Upon termination of the Pooled Funding Arrangement, each Employer's balance with the Trust shall be determined as set forth in paragraph 16.1.2. Any

Employer with a negative balance shall deposit the amount of such negative balance in the Trust Fund in a timely manner set forth in Paragraph 16.1.2.

(b) Following such deposits, an accounting of all claims, line of credit balances, administrative, operating and liquidating expenses of the Trust and of the plan and any outstanding claim, suit or other charge shall be made. If there is a negative balance after all claims, line of credit balance, and administrative, operating and liquidating expenses are taken into account, then all Employers then participating in the Pooled funding arrangement shall reimburse the Trust on the basis of the Formula for Distribution or Collection of Funds set forth in Paragraph 16.2.2(e) below.

(c) If after making the accounting pursuant to Paragraph 16.2.2(b) there is a positive balance, then each Employer with a positive balance shall be reimbursed the amount of that positive balance. If insufficient funds are available to reimburse these positive balances in full, then the positive balances shall be summed and a percentage of the sum derived for each Employer with a positive balance. The reimbursement shall then be made on the basis of those percentages.

(d) If, after making any reimbursements required under Paragraph 16.2.2(c), there is a remaining positive balance, then that balance shall be reimbursed to the Employers on the basis of the Formula for Distribution or Collection of Funds in Paragraph 16.2.2(e).

(e) <u>Formula for Distribution or Collection of Funds</u>. Upon termination, the Trust shall provide written notification to all Employers of their balance in remaining in the Trust as of the date of termination. Each Employers' balance shall be measured for the entire period of its membership by subtracting from its total contributions its total costs, including the cost of its claims – paid or incurred but not paid, its pro rata share of any line of credit usage outstanding at the time of termination, its share of current administrative and operating costs, and its share of any other obligations undertaken by the Trust.

(i) In the event that any Employer's calculated balance is negative, such Employer shall pay such amount to the Trust within sixty (60) days of such notification as is necessary to bring the Employer's balance to zero. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms

(ii) In the event that any Employer's calculated balance is positive, then that amount shall be returned following the satisfaction of all of the Employer's run-out claims and expenses, for which the Employer shall remain responsible.

(iii) The Trust shall maintain all positive balances for one (1) year from the date of termination for the purposes of satisfying all run-out claims and expenses. If, during the one year, the payment of run-out claims and expenses causes an Employer's balance to become negative, the Trust shall bill such

Employer monthly. The Employer shall pay such amounts to the Trust within thirty (30) days of receipt of such bill. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms.

(iv) Following the one (1) year, the Trust shall provide written notification to all Employers of any amount owed to the Trust as a result of the run-out claims and expenses. Employers shall pay such final amount to the Trust within thirty (30) days of such notification. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonably terms. If any Employer still maintains a positive balance with the Trust following the payment of all run-out claims and expenses, such balance shall be paid to the Employer.

(v) If any Employer is a member of the Trust for whom a reserve is being held by Highmark, as a Third Party Administrator, such reserve should be considered in the final account of the Employer and applied towards any negative balance that may exist, or following the payment of all run-out claims and expenses, distributed to the Employer with the remainder of its positive balance; provided, however, that such member's reserve shall not be included in the calculation of the amount of any positive balance remaining in the Trust, but shall be distributed solely to the founding member after payment of all run-out claims and expenses.

16.2.3 Cost/Reimbursement Funding Arrangement. Any plan funded by any Employer through a cost reimbursement arrangement shall be closed as provided by paragraphs 16.1.1 and 16.1.3 above.

ARTICLE XVII: MISCELLANEOUS PROVISIONS

17.1 The establishment of this Trust or any amendment thereof shall not give to any employee, his dependents, heirs or personal representatives, any legal or equitable right against the Employers, their officers, directors, or the Trustees not specifically provided for in this Agreement.

17.2 The rights of any employee to employment by any of the Employers who are parties to this Agreement shall not be enlarged, diminished, or in any way affected by this Agreement and all employees shall remain subject to their contracts of employment to the same extent as if this Agreement had not been executed.

17.3 In the event of dissolution, merger or consolidation of any of the Employers, the successors or successors thereof may continue the Plan subject to the provisions of this Agreement with such alteration of operation as may be found best for the orderly, efficient and economical functioning of the Plan for the benefit of the participants therein.

17.4 Upon dissolution, merger or consolidation of any of the Employers, the successor or successors thereof, if they elect to adopt and continue the Plan, shall furnish to the Trustees an instrument duly authorized and executed, acknowledging such election and expressing the intention to abide by the terms of this Agreement in all respects.

17.5 Wherever used in this Agreement the use of the male gender shall include the female gender.

17.6 Subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, which may be applicable and provide otherwise, this Agreement, as amended, shall be administered, construed and enforced according to the laws of the Commonwealth of Pennsylvania.

17.7 The fiscal year of this Trust shall commence on July 1 of each year and conclude on June 30 of each succeeding year.

IN WITNESS WHEREOF, the Employers have caused this Agreement to be executed by the President of each Employer on behalf of its District or Unit and the corporate seal thereof to be affixed and attested by the Secretary of each District or Unit, and each of the Trustees has executed this Agreement on the date set opposite their respective executions.

ATTEST:____

(Name of School District)

BOARD OF DIRECTORS

Secretary	Date	President	Date

Document #594279, v1