



Oak Park Elementary School District 97

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To: District 97 Board of Education
Dr. Carol Kelley, Superintendent

From: Laurie Campbell, Assistant Superintendent for Human Resources

Re: Recommendation to Join Educational Benefits Cooperative Effective July 1, 2017

Date: April 26, 2017

The Benefits Committee has been monitoring the performance of our self-funded health insurance plan. The performance of the plan resulted in an initial renewal rate of 16.2% for the PPO/HSA and 11.4% for the HMO. This renewal recommendation was presented to the Benefits Committee on March 14th by Hub, the District's insurance consultant.

The Committee was concerned about the size of these increases and decided to request pricing information from the Educational Benefits Cooperative (EBC), an entity created under school law that allows school districts to join together for the purpose of purchasing insurance. The EBC was established in 1984 and has grown from 8 to 102 school districts. Membership is open to K-12 school districts and education cooperatives. EBC is governed by a seven person Executive Board and major decisions are brought to the full Board of Directors for approval. Every school district appoints one member to the EBC Board of Directors. An overview of EBC is included as Exhibit A.

School districts who join EBC maintain control over their own plan design while sharing the costs and risks across the cooperative. The required programs for EBC are medical and Life/AD&D. BlueCross BlueShield is the carrier for PPO and HMO with PPO pharmaceutical service provided by Express Scripts. Reliance Standard is the carrier for Life Insurance and AD&D. Arthur J. Gallagher is the broker/consultant servicing the Cooperative.

The pricing information from EBC (Exhibit B) was received right before Spring Break and distributed to members of the Committee. In the EBC proposal, the PPO and HSA increase of 3.2% was much lower than if the District remained self-funded. The HMO increase was higher (15%) than continuing as self-funded. A summary of the financial impact of the two proposals are included in Exhibit C.

EBC has established a banding formula to determine increases from year to year for the PPO and HMO plans. The first component of the banding formula is the Paid Claim Loss Ratio. This ratio is determined by dividing the revenue by the paid claims for the experience period. This is calculated for the entire cooperative as well as for each member school district. The pool average becomes the center of the banding formula and each member's performance determines its position on the Banding Formula. There is a 5% differential from the center of the pool average. The result is a stabilization of rate increases over time. Please see Exhibit D for EBC's historical rate adjustments.

The Benefits Committee was impressed with the way the EBC handles large claims. PPO/HSA claims between \$75,000 and \$1,000,000 and HMO claims between \$75,000 and \$350,000 are removed from a district's loss ratio experience and spread among all members of the cooperative. During the 2017 plan year, large claims (over \$50,000) made up 45.6% of the D97 total claims.

Finally, the Benefits Committee liked the value-added programs that are included with the membership in the Cooperative at no additional cost. The wellness benefits were especially appealing as minimal wellness programming exists in District 97. Below is a list of the value-added services:

- Flu shots for insurance eligible employees (offered on site)
- Biometric screening for insurance eligible employees (offered on site)
- Cobra administration
- On-line Enrollment and Administration (Businessolver)
- Electronic Consolidated Billing
- ACA Reporting – Electronic submission
- Telemedicine

Exhibit E includes additional information about these services.

The Benefits Committee met with representatives from EBC on April 13th. The Committee met again on April 18th to review the EBC proposal compared to the self-funded renewal information. The Committee reviewed the district's large claim experience over the past two years, the four-year history of PPO, HMO, HSA increases, and EBC's historical rate increases.

The Committee is recommending that District 97 join the Educational Benefits Cooperative effective July 1, 2017. Joining the Cooperative will result in significant savings to the school district, additional value-added services while maintaining current plan design with BlueCross BlueShield.

The only challenge with implementing this change is the short timeline for implementation. If the Board is willing, we are requesting that the Board take action this evening on this recommendation to join EBC. If we were to wait until May 9th for Board action, then the timeline for transition would become even more compressed.

Exhibits:

A: EBC Overview

B: Rate Proposal

C: Insurance Proposal Analysis

D: EBC Historical Rate Increases

E: Additional Services

Attachments:

EBC Presentation to Benefits Committee

EBC Contract and Bylaws

EBC Overview

EBC History

The Educational Benefit Cooperative (EBC) is an entity created under Illinois state law, which allows school districts to join together for the purpose of purchasing insurance. The EBC, established in 1984, began with eight school districts and has grown to current membership of 102 school districts, 88 individual members and 3 sub pools.

The purpose of the EBC is to provide economies of scale and risk pooling that will allow members greater long-term financial stability than purchasing insurance products individually in the commercial insurance market. Each member retains the ability to create and change their PPO, HMO, Dental and Life plan design, which is often required by the nature of bargained contracts.


Funding

The PPO and Dental plans are self-funded. The HMO is funded on a Cost-Plus funding arrangement and the Life insurance is insured.

PPO funding: Self-funded plans allow the plan sponsor to bear a greater amount of risk (claims), reduce overhead expenses such as insurance company risk charges, and are not subject to state mandated requirements. Self-funding has three basic components, claims, administration and reinsurance. EBC periodically reviews the most appropriate administration providers. Currently, EBC has retained Blue Cross Blue Shield of Illinois to provide claim administration services as well as access to their network of hospitals and physicians. EBC has also selected Express Scripts as the Prescription Benefit Manager for PPO prescription card plans. EBC purchases reinsurance from Symetra. Reinsurance, often termed stop-loss insurance, is insurance a self-funded entity purchases to transfer the risk of catastrophic claims. As EBC has grown, the deductible amount of reinsurance has increased, as EBC can assume a greater level of risk. As EBC increases the risk level on these catastrophic claims, the cost of the reinsurance is reduced.

Dental funding: Similar to the PPO, the Dental plans of EBC are self-funded; however, in the case of dental, no reinsurance is necessary. Because dental plans generally have an annual benefit amount under \$2,000, claims are not as volatile or catastrophic as medical claims. Currently, EBC retains Metropolitan Life Insurance Company to provide claim administration services as well as access to their network of preferred dentists.

HMO funding: Cost-Plus funding has the same basic components as self-funding; claims, administration and reinsurance *plus* risk charges. EBC has selected Blue Cross Blue Shield of Illinois as the HMO provider. Blue Cross Blue Shield of Illinois does not offer a self-funded arrangement for their HMO products. The Cost-Plus funding arrangement has a similar risk taking component to self-funding, but is filed as an insured product. Because of the insured status, HMO contracts are subject to Illinois state



mandates. EBC pays administration, risk charges and physician service fees (doctor visits) on a monthly basis, based on enrollment. EBC funds the cost of prescription drug and hospital claims as they are incurred.

Life funding: The life insurance for EBC is fully insured. EBC members submit an insured premium rate to EBC who pays the full amount directly to Reliance Standard. A fully insured funding arrangement transfers 100% of the claim and risk to the insurance company.

For the self-funded and Cost-plus funded programs (PPO, Dental and HMO), EBC's consultant, Gallagher Benefit Services, develops appropriate funding rates. Each member submits monthly funding required based on those rates and enrollment. EBC pays all claims and expenses for all members as well as establishes a reserve for incurred but not reported claims. All member funds in excess of plan expenses and reserves are retained in the Working Cash Fund.

Banding Formula

EBC established a Banding Formula many years ago that is applied to the self-funded plans, the PPO and Dental. The HMO banding formula began in 2012. The bands are outlined in the EBC By-laws. Two components are used for the banding formula; (1) Paid Claim Loss Ratio and (2) Rate Increase.

Component 1 is the Paid Claim Loss Ratio. The Paid Claim Loss Ratio is determined by dividing the revenue submitted to EBC by the claims paid by EBC during the Experience Period. The resulting percentage is the Paid Claim Loss Ratio. The costs of administration of the plan are not included in the calculation. A Paid Claim Loss Ratio is developed for the entire cooperative of EBC (pool average) and individually for each member district (or sub pool) of EBC. The pool average Paid Claim Loss Ratio is the center of the Banding Formula. Each member's individual Paid Claim Loss Ratio determines its position on the Banding Formula.

Paid Claims are the total of all individual claims under \$75,000 plus the per capita share of all the EBC catastrophic claims between \$75,000 and \$1,000,000 for the PPO. For the HMO, Paid Claims are the total of all individual claims under \$75,000 plus the per capita share of all the EBC catastrophic claims between \$75,000 and \$350,000 plus physician service fees.

Component 2 is the (Pool Average) Rate Increase. The Rate Increase is developed by projecting the claims in the experience period to the end of the projection period and adding administrative and reinsurance costs for Total Projected Costs. Total Projected Costs are divided by Total Projected Revenue to determine the Rate Increase (pool average). The pool average rate increase is the center of the banding formula. Each member's Individual Paid Claim Loss Ratio is developed and will fall within one banding range. The maximum deviation from the pool average rate increase ranges from +5% above the pool average rate increase or -5% below the pool average rate increase in 1% increments.

Arthur J. Gallagher & Co. <small>BUSINESS WITHOUT BARRIERS™</small>		Oak Park SD #97		EBC Illustrative Equivalent Rates		7/1/17 through 6/30/18		PPO Plan		H.S.A.		B: Rat
Rate Tier	Employees	Current Rates 7/1/17 - 6/30/17	Monthly Premium @ Current Rates	BCBS Recommended Renewal Rates 7/1/17 - 6/30/18	Monthly Premium @ Actuarially Correct Current Rates	EBC Rates 7/1/17 - 6/30/18	Monthly Premium @ EBC Rates					
Single	115	\$847.96	\$97,515	\$916.65	\$105,415	\$874.68	\$100,588					
Single + Spouse	30	\$1,702.71	\$51,081	\$1,921.77	\$57,653	\$1,756.37	\$52,691					
Single + Child(ren)	31	\$1,634.02	\$50,655	\$1,844.22	\$57,171	\$1,685.51	\$52,251					
Family	25	\$2,527.78	\$63,195	\$2,853.32	\$71,333	\$2,607.44	\$65,186					
Total Monthly	201		\$262,446		\$291,572		\$270,716					
Total Annual			\$3,149,350		\$3,498,860		\$3,248,593					
Annual Difference from Current			-		\$349,510		\$99,243					
Percentage Difference from Current			-		11.1%		3.2%					
H.S.A.												
Rate Tier	Employees	Current Rates 7/1/17 - 6/30/17	Monthly Premium @ Current Rates	BCBS Recommended Renewal Rates 7/1/17 - 6/30/18	Monthly Premium @ Stand Alone Renewal Rates*	EBC Rates 7/1/17 - 6/30/18	Monthly Premium @ EBC Rates					
Single	7	\$758.46	\$5,309	\$806.64	\$5,646	\$782.36	\$5,477					
Single + Spouse	2	\$1,472.92	\$2,946	\$1,633.51	\$3,267	\$1,519.33	\$3,039					
Single + Child(ren)	5	\$1,413.77	\$7,069	\$1,567.60	\$7,838	\$1,458.32	\$7,292					
Family	5	\$2,187.40	\$10,937	\$2,425.35	\$12,127	\$2,256.33	\$11,282					
Total Monthly	19		\$26,261		\$28,878		\$27,088					
Total Annual			\$315,131		\$346,539		\$325,061					
Annual Difference from Current			-		\$31,408		\$9,930					
Percentage Difference from Current			-		10.0%		3.2%					
Total PPO												
Total Annual Medical	220		\$3,464,481		3,845,399		\$3,573,654					
Annual Difference from Current			-		\$380,918		\$109,174					
Percentage Difference from Current			-		11.0%		3.2%					

Oak Park SD #97

EBC Illustrative Equivalent Rates

7/1/17 through 6/30/18

Blue Advantage HMO

Rate Tier	Employees	Current Rates 1/1/17 - 6/30/17	Monthly Premium @ Current Rates	B/C's Recommended Renewal Rates 7/1/17 - 6/30/18	Monthly Premium @ Standard Renewal Rates*	EBC Rates 7/1/17 - 6/30/18	Monthly Premium @ EBC Rates
Single	198	\$595.62	\$117,933	\$648.40	\$128,383	\$684.79	\$135,588
Single + Spouse	52	\$1,191.84	\$61,976	\$1,357.03	\$70,566	\$1,370.26	\$71,254
Single + Child(ren)	92	\$1,143.59	\$105,210	\$1,302.26	\$119,808	\$1,314.79	\$120,961
Family	78	\$1,769.57	\$138,026	\$2,014.83	\$157,157	\$2,034.48	\$158,689
Total Monthly	420		\$423,145		\$475,913		\$486,492
Total Annual			\$5,077,742		\$5,710,961		\$5,837,905
Annual Difference from Current			-		\$633,219		\$760,163
Percentage Difference from Current			-		12.5%		15.0%
Total PPO And HMO							
Total Annual Medical	640		\$8,542,223		9,556,360		\$9,411,559
Annual Difference from Current			-		\$1,014,137		\$869,336
Percentage Difference from Current			-		11.9%		10.2%

Summary of Financial Impact

	2016-2017	2017-2018			
PPO	Current	EBC	Percentage Difference	Self-Funded	Percentage Difference
Total Monthly	\$262,446	\$270,716	3.2%	\$304,954	16.2%
Total Annual	\$3,149,352	\$3,248,592	3.2%	\$3,659,448	16.2%

Dollar Difference

\$99,240

\$510,096

HMO	Current	EBC	Percentage Difference	Self-Funded	Percentage Difference
Total Monthly	\$423,145	\$486,492	15.0%	\$471,514	11.4%
Total Annual	\$5,077,740	\$5,837,904	15.0%	\$5,658,168	11.4%

Dollar Difference

\$760,164

\$580,428

HSA	Current	EBC	Percentage Difference	Self-Funded	Percentage Difference
Total Monthly	\$26,261	\$27,090	3.2%	\$30,514	16.2%
Total Annual	\$315,132	\$325,080	3.2%	\$366,168	16.2%

Dollar Difference

\$9,948

\$51,036

Life Insurance	Current	EBC	Percentage Difference	Self-Funded	Percentage Difference
Total Monthly	\$3,888.02	\$4,218.13	8.5%	\$3,888.02	0.0%
Total Annual	\$46,656.20	\$50,618.00	8.5%	\$46,656.20	0.0%

Dollar Difference

\$3,961.80

\$0.00

ACA Transmission Fee	\$27,891	included		\$27,891	
Consulting Fee	\$42,000	included		\$42,000	
TOTAL ANNUAL	\$8,658,771	\$9,462,194	9.28%	\$9,800,331	13.2%

\$803,423

\$1,141,560

\$338,137

EBC Historical Rate Adjustments

D: EBC Historical Rate Increases

Plan Year	PPO Average Adjustments	HMO Average Adjustments	Dental Average Adjustments
7/1/00 to 7/1/01	-1.1%	24.2%	4.4%
7/1/01 to 7/1/02	19.5%	0.0%	14.4%
7/1/02 to 7/1/03 ¹	19.0%	16.2%	7.9%
7/1/03 to 7/1/04	12.3%	10.5%	-1.5%
7/1/04 to 7/1/05	3.7%	9.0%	1.5%
7/1/05 to 7/1/06	6.7%	6.4%	-5.6%
7/1/06 to 7/1/07	3.5%	5.5%	0.0%
7/1/07 to 7/1/08	4.5%	2.9%	-4.0%
7/1/08 to 7/1/09 ²	8.9%	12.9%	2.7%
7/1/09 to 7/1/10	6.6%	3.2%	0.0%
7/1/10 to 7/1/11 ³	3.3%	5.1%	1.9%
7/1/11 to 7/1/12	6.6%	13.0%	0.0%
7/1/12 to 7/1/13 ⁴	3.8%	3.8%	-1.0%
7/1/13 to 7/1/14 ⁵	1.3%	5.1%	1.8%
7/1/14 to 7/1/15 ⁶	0.0%	0.0%	0.0%
7/1/15 to 7/1/16 ⁷	5.7%	5.7%	-2.8%
7/1/16 to 7/1/17	5.5%	-0.3%	1.1%
5 Year Average	3.3%	2.9%	-0.2%
15 Year Average	6.1%	6.6%	0.1%

Notes:


- (1) Rate adjustments reflect overall average increase prior to the application of the bylaws "banding formula" to determine individual district adjustments.
- ¹ 7/1/02 renewal was increased from 17.8%
- ² 7/1/08 PPO renewal was reduced 1% due to release of working cash
- ³ All 7/1/10 rate adjustments have been reduced 2% due to release of working cash.
- ⁴ 7/1/12 rate adjustments reduced with release of working cash, PPO reduced from 5.9% and HMO reduced from 4.6%.
- ⁵ A release of working case reduced the PPO renewal from 3.4%, the HMO renewal from 7.2% and the dental renewal from 3.9%.
- ⁶ A release of working cash reduced the PPO renewal from 3.5%, the HMO renewal from 0.4% and the dental renewal from 0.6%
- ⁷ A release of working cash reduced the PPO renewal from 7.2%

This analysis is for illustrative purposes only, and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health costs including utilization patterns, catastrophic claims, changes in plan design, health care trend increases, etc. This analysis does not amend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contact us for specific information or further details in this regard.


	Current Cost (Hub as consultant and self-funded)
Educational Benefit	
Cooperative Cost	

Wellness Programming/Planning	included	included	Planning assistance included in both scenarios.
Flu Shots	included	not included	Cost would be \$16,640 assuming 640 insurance eligible employees participate.
Panel C Screening	included	not included	Cost would be \$57,600 assuming 640 insurance eligible employees participate.
Wellness Incentive Rebate	included	Not offered - would need to be funded by D97	First time districts: If district achieves 50% participation in Wellness Screening to get 0.5% of district's projected annual premium as incentive (approximately \$47,000). With implementation of Wellness Programming and meeting targets, a maximum of 1.25% of premium can be earned by a school district.
COBRA Administration	included	Not included - currently done by D97 Benefits Specialist.	We currently process our own COBRA paperwork in D97.
Online Open Enrollment	included	Not available without contracting with outside company	Cost of contracting with outside company - \$20,000 initial implementation fee then annual PEPM fee (EBC is \$2.30)
Telemedicine - TeleDoc 24 service	included	Not available without contracting with outside company	Estimated value is \$9,460
Employee Assistance Program	included	included	Included with Life Insurance in both scenarios
ACA Reporting (1094-1095) and 6055-6056	included	Done in house with assistance from Kirtley Technologies. Not included in Hub's services. Hub provides information about guidance, forms, due dates but does not support with the actual submission.	We have been working with Hub on potential vendors for this service and have received three quotes: WorTime Reporting Only - \$3500, Integrity Data - \$12,000, Sikich - \$5000
Compliance Updates	included	included	Email, newsletters, webinars

Notes



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EBC
Educational Benefit Cooperative

Presented by :

Mel Diaz
Area Senior Vice President

Victoria Dowling
Area Vice President
Client Management

AJG: K-12 Experience

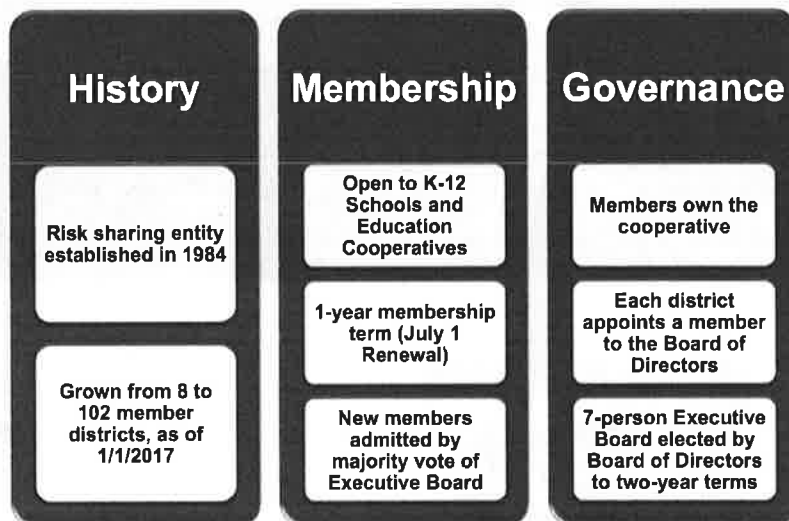
- Experts in K-12 Scholastic Sector
- 200+ Local School District Clients
 - Diverse in Size, Location, and Needs
- National K-12 “Niche” Program
 - Shared “Best Practices”
- Dedicated K-12 Service Team
 - 175+ Total Team Years of Experience



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EBC Overview



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Required EBC Programs

- PPO
 - **Choose Your Own Blue Cross Blue Shield Plan Design**
 - Self-Funded
 - 15,000+ Employees Covered
- HMO (if offered)
 - **Choose Your Own Blue Cross Blue Shield Plan Design**
 - “Cost-Plus” Funding
 - 6,000+ Employees Covered
- Life and AD&D
 - **Reliance Standard Matches your Current Plan Design**
 - 24,000+ Employees Covered
 - Fully Insured
- Arthur J. Gallagher & Co. is the exclusive broker/consultant for all benefit plan offerings

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Optional EBC Programs

- Dental Insurance
 - **Choose Your Own Plan Design**
 - Self Funded
 - 12,000+ Employees Covered
- EBC Marketplace
 - Shopping Experience
 - Choice for employees
 - On-line Decision Support
 - Improved Plan Administration

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Additional EBC Member Programs Included

- **Wellness Program**
 - Flu Shot
 - Biometric Screening
- **COBRA Administration**
 - Eases administrative burden to the District
- **Businessolver**
 - On-Line Enrollment and Administration
 - Electronic Consolidated Billing
- **ACA Reporting**
 - Electronic Submission
- **Telemedicine**
 - 24/7/365 access to a doctor via phone or video conferencing
- **EAP (Employee Assistance Program)**
 - 24/7/365 access for professional and confidential services for entire family

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Cooperative Service Platform

- Strategic Planning
- Service Plan Execution
- Membership marketing
- New member underwriting
- Renewal projections
- Quarterly reporting
- Coordinate cooperative meetings
- Vendor negotiations/selection
- Benefit administration staff training

Services to the Entire Cooperative

Oak Park SD 97

- Claims Issue Resolution
- Plan design consulting/pricing
- Attend insurance committee meetings
- Attend employee meetings (open enrollment, new member orientation, etc.)
- Employee communications
- Service/place non-pool coverage
- Compliance support

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Historical Rates Increases

Plan Year	PPO Average Adjustments	HMO Average Adjustments	Dental Average Adjustments
7/1/00 to 7/1/01	-1.1%	24.2%	4.4%
7/1/01 to 7/1/02	19.5%	0.0%	14.4%
7/1/02 to 7/1/03 ¹	19.0%	16.2%	7.9%
7/1/03 to 7/1/04	12.3%	10.5%	-1.5%
7/1/04 to 7/1/05	3.7%	9.0%	1.5%
7/1/05 to 7/1/06	6.7%	6.4%	-5.6%
7/1/06 to 7/1/07	3.5%	5.5%	0.0%
7/1/07 to 7/1/08	4.5%	2.9%	-4.0%
7/1/08 to 7/1/09 ²	8.9%	12.9%	2.7%
7/1/09 to 7/1/10	6.6%	3.2%	0.0%
7/1/10 to 7/1/11 ³	3.3%	5.1%	1.9%
7/1/11 to 7/1/12	6.6%	13.0%	0.0%
7/1/12 to 7/1/13 ⁴	3.8%	3.8%	-1.0%
7/1/13 to 7/1/14 ⁵	1.1%	5.1%	1.8%
7/1/14 to 7/1/15 ⁶	0.0%	0.0%	0.0%
7/1/15 to 7/1/16 ⁷	3.7%	5.7%	-2.8%
7/1/16 to 7/1/17	5.5%	-0.3%	1.1%
5 Year Average	3.3%	2.9%	-0.2%
15 Year Average	6.1%	6.6%	0.1%

Notes:

(1) Rate adjustments reflect overall average increase prior to the application of the bylaws¹¹ banding formula¹² to determine individual district adjustments.

² 1/1/09 rate increase was anticipated to be 1.8%.

³ 7/1/08 PPO renewal was reduced 1% due to release of working cash.

⁴ All 7/1/10 rate adjustments have been reduced 2% due to release of working cash.

⁵ 7/1/12 rate adjustments reduced with release of working cash; PPO reduced from 5.9% and HMO reduced from 4.6%.

⁶ A release of working cash reduced the PPO renewal from 3.4%, the HMO renewal from 7.2% and the dental renewal from 3.9%.

⁷ A release of working cash reduced the PPO renewal from 3.5%, the HMO renewal from 0.4% and the dental renewal from 0.6%.

⁸ A release of working cash reduced the PPO renewal from 7.2%.

This analysis is for illustrative purposes only and is not a guarantee of future expenses, claims costs, managed care savings, etc. There are many variables that can affect future health costs including utilization patterns, catastrophic claims, changes in plan design, health care cost increases, etc. This analysis does not intend, extend, or alter the coverage provided by the actual insurance policies and contracts. Please see your policy or contract for further details in this regard.

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Past Cooperatives vs. the EBC

Past Cooperative Challenges

EBC Solutions

Inadequate Reserves	15% Reserves (\$27.6 Million)
Low “Cash on Hand”	\$40 Million in “working cash”
Small Size and Unstable	22,000+ Employees, Highly Stable
Questionable Financial Modeling	Underwriting Professionals on Staff
All the “good groups” leave	Banding formula retains “good groups”

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Educational Benefit Cooperative...

- Generate Savings for *Oak Park SD 97*
- Keep Your Plan Design
- Spread Risk Across a Large and Stable Population
- Predictable, Stable, and Safe
- Financially Healthy and Conservatively Managed
- An Excellent fit for *Oak Park SD 97*

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**THIRD COMPREHENSIVE AMENDMENT TO THE
CONTRACT AND BY-LAWS
EDUCATIONAL BENEFIT COOPERATIVE**

ARTICLE I. Definitions and Purpose.

DEFINITIONS:

As used in this agreement, the following terms shall have the meaning hereinafter set out:

AGGREGATE STOP LOSS INSURANCE - Conventional insurance which, when an aggregation of claims not subject to reimbursement under Specific Stop Loss Insurance has reached a set amount, will pay up to an additional agreed amount for additional sums due and arising from the aggregation of existing claims and new claims.

BENEFIT POOL - A fund of monies established by the Members of the COOPERATIVE to collectively self-insure, administer and to pay certain benefits granted by the individual MEMBERS to their respective then-current or former employees and to purchase excess, aggregate or other conventional insurance.

BENEFITS - Non-salary payments made to then current or former employees including but not limited to payments or reimbursements of expenses arising out of the prevention of or an illness or an accident, as defined in the plan documents of the MEMBERS.

CONSULTANT - A person or company hired as an independent contractor to advise the Board of Directors and the Executive Committee on actions to be taken, including but not limited to advice regarding underwriting, claims and expense projections, analysis of plan design, renewal analysis and

recommendations on the purchase of insurance and the employment of the third-party administrator and other healthcare independent contractors.

CONVENTIONAL INSURANCE DEFAULT FUND - A sum of money which may be established for the purpose of paying claims which would not be paid because of a financial default of a conventional insurance company.

COOPERATIVE - The Educational Benefit Cooperative established pursuant to the Constitution and the statutes of this State by this intergovernmental agreement.

EMPLOYEES - Current employees and officers of MEMBERS and those retired employees of those MEMBERS which provide such expanded benefit programs.

MEMBERS - The school districts or intergovernmental agencies, established pursuant to an intergovernmental agreement, which initially or later enter into this intergovernmental contract for the benefit of their employees.

SPECIFIC CORRIDOR FUND - A sum of money which may be established for the purpose of paying claims between an amount to be paid from the Benefit Fund and the attachment point in, particular claim years, of specific stop loss insurance.

SPECIFIC STOP LOSS INSURANCE - Conventional insurance which reimburses the Benefit Pool for covered expenses incurred by an employee or dependent of an employee of a MEMBER which are in excess of a specific deductible amount per plan year. In order for such expenses to be reimbursed, the Specific Stop Loss Insurance must be in force at the time claims in excess of the stop loss deductible are paid.

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TERMINAL RESERVE FUND - A sum of money to be held by the COOPERATIVE which is in excess of its MEMBERS' current obligations and is anticipated to be in an amount sufficient to pay the benefit claims of the MEMBERS filed after the termination of the COOPERATIVE but attributable to the period of its existence, and for properly withdrawing MEMBERS in accordance with Article XVII. Generally such sum would be expected to equal 25% of the claims in the prior fiscal year. These subsequently reported claims are sometimes referred to as IBNR claims (Incurred But Not Reported). A portion of those funds are also intended to cover the IBNR claims of individually withdrawing MEMBERS. Amounts in the Terminal Reserve Fund can also be utilized to pay current claims, but the amount in the Terminal Reserve Fund may not be diminished to less than 15% of paid claims for all the MEMBERS in the prior fiscal year.

THIRD-PARTY ADMINISTRATOR - A company hired to administer the operations of the COOPERATIVE, including but not limited to the valuation and payment of claims, responding to employee inquiries, and the preparation and distribution of coverage booklets and identification cards.

WORKING CASH FUND - A sum of money which has been paid by the MEMBERS to the COOPERATIVE, plus all interest income earned, and which is in excess of their current obligations and their obligation to the Terminal Reserve Fund.

PURPOSE:

The Educational Benefit Cooperative ("COOPERATIVE") is a cooperative entity voluntarily established by contracting school districts as provided for in the Illinois

Constitution of 1970 pursuant to Article VII, Section 10 of the 1970 Constitution of the State of Illinois, and 5 ILCS 220/6, et seq., for the purpose of administering and pooling the cost of funding some or all of the personnel benefit programs offered by its MEMBERS to their employees. The MEMBERS have determined not to purchase insurance coverage for benefit payments below certain high limits except for special coverages such as life insurance but rather to rely upon their pooled financial capabilities to pay benefits which occur and when authorized by the Board of Directors to purchase some insurance to protect against catastrophic, aggregate and certain other benefit claims.

The Educational Benefit Cooperative shall function as an administrative agency to receive, process and pay benefit claims and create a pool of funds to pay such benefits below certain levels over which such claims shall be paid by specific or where purchased, aggregate stop loss insurance policies. The Educational Benefit Cooperative shall also carry out such claims reduction, and educational programs as shall be authorized by its Board of Directors. The operation of the COOPERATIVE is not intended by the parties to constitute the transaction of an insurance business within the State of Illinois. The intent of the parties is to administer and pay for the varied benefit programs of its MEMBERS, establishing varied costs per MEMBER based upon the benefits offered and other factors and to utilize the Educational Benefit Cooperative to achieve reduced costs of administration by providing similar services to all MEMBERS of the entity and to permit the MEMBERS to pool the costs of the payment of such benefits and to purchase insurance as a group.

ARTICLE II. Powers and Duties.

The powers of the COOPERATIVE to perform and accomplish the purposes set forth above, within the budgetary limits and procedures set forth in these By-Laws, shall be the following:

- (a) To employ agents, employees and independent contractors;
- (b) To lease real property and to purchase or lease equipment, machinery, or personal property necessary for the carrying out of the purpose of the COOPERATIVE;
- (c) To carry out educational and other programs relating to health, accident and other claims reductions;
- (d) To cause the creation of at least a Benefit Pool and a Terminal Reserve Fund and the implementation of the powers for the administration of the COOPERATIVE;
- (e) To purchase specific and aggregate stop loss, group life and other types of conventional insurance approved by the Board of Directors;
- (f) Solely within the budgetary limits established by the MEMBERS to carry out such other activities as are necessarily implied or required to carry out the purposes of the COOPERATIVE specified in Article I or the specific powers enumerated in Article II.

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ARTICLE III. Participation, Term and Continuing Membership.

The MEMBERS of the COOPERATIVE shall be those school districts, which were MEMBERS on January 1, 2014. New MEMBERS may join the COOPERATIVE upon at least the vote of two-thirds (2/3) of the MEMBERS or upon the vote of a majority of the members of the Executive Committee. New MEMBERS may be admitted subject to the payment of such sums or the imposition of such conditions as shall be established at the time an offer of participation in the COOPERATIVE is made. The term of the COOPERATIVE shall commence on July 1, 2014, and shall expire on June 30, 2026. The MEMBERS may, through the manner provided in Article V(h)(iv), extend the term of the COOPERATIVE in the manner then allowed by law. In the event that the multi-year term of the COOPERATIVE is found to be invalid, the MEMBERS intend their obligation to remain MEMBERS for each fiscal year for which they have not given the required notice to withdraw.

New MEMBERS may be admitted at any time during the fiscal year for a period of the time remaining in the then-current fiscal year. Any new MEMBER shall remain a MEMBER for at least the remaining portion of the fiscal year of the COOPERATIVE. Any MEMBER may withdraw from the COOPERATIVE by providing to the Chairperson and to the Insurance Broker or Principal Consultant a certified copy of a Resolution of the School Board or other Governing Board of the MEMBER electing to withdraw from membership. The written notice must be provided to the officials of the COOPERATIVE not less than ninety (90) days prior to the end of the fiscal year. Failure to give the required notice of withdrawal shall contractually obligate the MEMBER to continue membership in the COOPERATIVE for the next fiscal year, except where the

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COOPERATIVE shall not continue in existence. Withdrawals may only be made to take effect at the end of the then-current fiscal year.

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ARTICLE IV. Commencement of the Cooperative.

The COOPERATIVE commenced its operations on July 1, 1984.

ARTICLE V. Board of Directors.

- (a) There is hereby established a Board of Directors of the COOPERATIVE. Each MEMBER shall appoint one (1) person to represent that body on the Board of Directors, along with another person to serve as an alternate representative when the initial representative is unable to carry out that representative's duties. The representative on the Board of Directors and the alternative representative shall be appointed by the Governing Board of the Member, and shall be either a member of the Governing Board, a Superintendent, Assistant Superintendent, Principal, Assistant Principal, a School Business Official, or an employee within the School Business Office. Once such appointments are made known to the COOPERATIVE, the persons appointed shall remain in office until the COOPERATIVE receives evidence of the appointment of other persons. The COOPERATIVE shall be the judge of the proper appointment of members of the Board of Directors and alternates and shall utilize in case of a dispute general principles of Illinois school law. The representative and alternate selected need not be elected officials of the MEMBER.

The Board of Directors shall, during the final quarter of every fiscal year ending in an odd number, select a Chairperson, Vice-Chairperson and Treasurer from among the representatives and alternates on the Board of Directors to serve for two (2) year terms commencing on July 1st. No person may serve as Chairperson, Vice-Chairperson of the Board of Directors or Treasurer for more than two (2) consecutive two-year terms, except upon the vote of at least the two-thirds (2/3) of a

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quorum of the Board of Directors. The Chairperson, Vice-Chairperson and Treasurer shall continue in office until their successors are elected if no election has taken place as provided in these By-Laws.

The Chairperson shall be the chief executive officer of the COOPERATIVE. The Chairperson shall preside at all meetings of the Board and the Executive Committee at which the Chairperson is present. The Chairperson may request information from any officer of the Board or the COOPERATIVE or any employee or Consultant of the COOPERATIVE. The Chairperson shall vote on all matters that come before the Board or Committees on which the Chairperson serves. The Chairperson shall be a non-voting ex-officio member of all committees of the COOPERATIVE on which the Chairperson does not directly serve. If a vacancy should occur in the office of Vice-Chairperson, Treasurer, or other office established by the Board, the Chairperson shall select a person to fill that vacancy by a temporary appointment until the Board of Directors selects a person to fill the vacancy until the end of the predecessor's term. The Chairperson shall have such other powers as are set forth in these By-Laws and such other powers as the Chairperson may be given from time to time by action of the Board.

The Vice-Chairperson shall become the Chairperson in the event of a vacancy in that office, and shall carry out all duties of the Chairperson of the Board during the absence or inability of the Chairperson to perform such duties and shall carry out such other functions as are assigned from time to time by the Chairperson or the Board of Directors. The Board of

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Directors may from time to time establish other officers of the Board who shall serve for the terms designated and may elect a member of the Board to serve in any of such offices.

The Treasurer shall have charge and custody of and be responsible for all funds and securities of the COOPERATIVE; receive and give all receipts for monies due and payable to the COOPERATIVE from any source whatsoever; deposit all such monies in the name of the COOPERATIVE in such banks, savings and loan associations or other depositories as shall be selected by the Board of Directors; and, invest the funds of the COOPERATIVE as are not immediately required in such manner as the Board of Directors shall specifically or generally select from time to time. Maintain the financial books and records of the COOPERATIVE. Provided, however, that all investments of the COOPERATIVE funds shall be made only in those financial instruments which may be purchased by Illinois school districts under the provisions of the Illinois Statutes.

The Treasurer shall perform all duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Board of Directors. The COOPERATIVE shall purchase a bond in the minimum amount of \$4,000,000 to assure the fidelity of the Chairperson of the Board and Treasurer. Without amending these By-Laws, the Board of Directors may increase the amount of the bonds for the aforesaid officers and procure or require fidelity and other

bonds for officers, directors, employees or independent contractors of the COOPERATIVE.

- (b) The Board of Directors shall determine the general policy of the COOPERATIVE, which policy shall be followed by the officers, agents, employees and Consultants chosen by the COOPERATIVE. Among other items, it shall have the responsibility for: (1) Hiring of COOPERATIVE officers, agents, non-clerical employees and Consultants, (2) Setting of compensation for all persons, firms and corporations employed by the COOPERATIVE, (3) Setting of fidelity bonding requirements for employees or other persons, (4) Approval of amendments to the By-Laws, (5) Approval of the acceptance of new MEMBERS and expulsion of MEMBERS; except that the approval of new MEMBERS shall also be a power of the Executive Committee. (6) Approval and amendment of the annual budget of the COOPERATIVE, (7) Resolution of disputes over the scope of pooled self-insurance coverage provided by the COOPERATIVE, (8) Approval of educational and other programs relating to risk reduction, (9) Approval of reasonable and necessary loss reduction and prevention procedures which shall be followed by all MEMBERS, (10) Approval of annual and supplementary payments to the Benefit Pool and the various Funds for each MEMBER, (11) Approval of additional terms for the existence of the COOPERATIVE.
- (c) Each MEMBER shall be entitled to one (1) vote on the Board of Directors. Such vote may be cast only by the designated representative of the MEMBER or in the Member's absence by an alternate selected by the

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MEMBER in the same manner as specified for the selection of the principal representative. No proxy votes shall be permitted, but participation by electronic means shall be allowed as permitted under State law for meetings of governmental bodies. Voting shall be conducted by voice vote unless one (1) or more MEMBERS of the Board of Directors shall request a roll call vote; provided, however, that

1. Any vote which requires a greater than majority vote for passage shall be by roll call vote, and
 2. In the event that an authorization of the expenditure of funds shall pass by a voice vote, any member of the Board seeking to abstain or vote in the negative regarding such authorization and wishing that vote to be specifically recorded shall indicate such vote to the presiding officer.
 3. On any other vote taken by the Board, a member voting in the minority position on a voice vote may also have that vote recorded in the Minutes by specifically indicating such vote to the presiding officer.
- (d) The representative or alternate chosen by the MEMBER may be removed at any time by the vote of the governing board of the MEMBER. In the event that a vacancy occurs in the representative or alternate selected by the governing board of a MEMBER, that body shall appoint a successor. The failure of a MEMBER to select a representative or the failure of that person to participate shall not affect the responsibilities or duties of a MEMBER under this Contract.
- (e) The Board of Directors shall have the power to establish both standing and ad hoc committees. The Chairperson of the Board may also establish ad hoc committees which do not conflict with those established by the Board. Unless the Board of Directors shall establish some other procedure, the

selection of members of the Board of Directors who shall serve on such committees and chair them shall reside with the Chairperson of the Board of Directors. The Chairperson of the Board of Directors may appoint non-voting and non-paid persons who are not members of the Board of Directors to serve on committees of the COOPERATIVE.

There is hereby created an Executive Committee. The Executive Committee shall at a minimum consist of the Chairperson and Vice-Chairperson of the Board, the Treasurer and two (2) at large members of the Board of Directors elected by the Board of Directors for two (2) year terms. These terms will be staggered with the election of the Chairperson, Vice Chairperson and Treasurer and such at large members of the Executive Committee shall continue in office until their successors are elected if no election has taken place as provided in these By-Laws. Vacancies in at large Executive Committee members shall be filled by the Chairperson until the end of the predecessor's term. The Minutes of the meetings of the Executive Committee shall be distributed to all MEMBERS. The Executive Committee may expend funds, employ Consultants, authorize a settlement of claims and suits, admit new MEMBERS and take such other action as shall be specifically delegated to it by the Board of Directors.

- (f) The Board of Directors may establish rules governing its own conduct and procedures not inconsistent with the By-Laws.
- (g) A quorum shall consist of a majority of the MEMBERS of the Board of Directors. Except as provided in Subsection (h) herein, or elsewhere in

these By-Laws, a simple majority of a quorum shall be sufficient to pass upon all matters.

- (h) A greater vote than a majority of a quorum shall be required to approve any matter as so required within the Contract and By-Laws document, and the following matters:
 - (i) Such matters as the Board of Directors shall establish within its rules as requiring for passage a vote greater than a majority of a quorum, provided, however, that such a rule can only be established by a greater than a majority vote at least equal to the greater than majority percentage within the proposed rule.
 - (ii) The expulsion of a MEMBER shall require at least the two-thirds (2/3) vote of the entire membership of the Board of Directors.
 - (iii) Any amendment of these By-Laws, except as provided in Subsection (iv) below, shall require at least the two-thirds (2/3) vote of a quorum of the Board of Directors.
 - (iv) The amendment of these By-Laws to cause the termination of this Agreement sooner than at the end of an approved term or the continuation in existence of the COOPERATIVE after an approved term, or a change in the banding formula provided for in Article VIII shall require at least the two-thirds (2/3) vote of the entire membership of the Board of Directors.
- (i) No one serving on the Board of Directors, except the Treasurer, shall receive any salary or other payment from the COOPERATIVE and any salary, compensation, payment or expenses for such representative shall

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be paid by each MEMBER separate from this Contract. Provided, however, that the Chairperson of the Board, and such other officers as may be selected from time to time may submit to the Executive Committee for their approval reimbursement of expenses incurred in the pursuit of their position as officers of the COOPERATIVE. The reimbursement for such expenses shall include amounts advanced on behalf of the COOPERATIVE either by the officer himself or by a MEMBER of the COOPERATIVE.

ARTICLE VI. Board of Directors Meetings.

- (a) At least one (1) Regular meeting of the Board of Directors shall be held each fiscal year. Any item of business may be considered at a regular meeting. Special meetings of the Board of Directors may be called by its Chairperson, the Vice-Chairperson, or by any three (3) Directors who shall establish the time and location of the meeting. The Chairperson, or in his absence, the Vice Chairperson, shall give ten (10) days' written notice of regular or special meetings to the official representatives of each MEMBER and an agenda specifying the subject of any special meeting shall accompany such notice. Business conducted at special meetings shall be limited to those items specified in the agenda.
- (b) To the extent not contrary to these By-Laws, and except as modified by the Board of Directors, Roberts Rules of Order, latest edition, shall govern all meetings of the Board of Directors. Minutes of all regular and special meetings of the Board of Directors shall be sent to all members of the Board of Directors.

ARTICLE VII. **RESERVED.**

ARTICLE VIII. Finances.

A. The Benefit Pool.

Payments into the Benefit Pool will be established and administered in the following manner:

1. Before the start of each fiscal year, the Consultant will determine on the basis of actuarial data the amount of total payments from all MEMBERS necessary to fund the operations of the COOPERATIVE. A Consultant will recommend how this total amount of anticipated expenses should be divided among the MEMBERS.
2. The rates for MEMBERS are based on a constant ratio of their prior rates or their claims levels. Such rates and the rates for new MEMBERS joining the COOPERATIVE are, therefore, sensitive to claim results, benefit structure, location and census characteristics. The Consultant will begin its determination of recommended rates for future years utilizing these initial rates, plus sufficient sums to create a Terminal Reserve Fund. At each renewal, once the funding needs of the COOPERATIVE as a whole have been established, the Board of Directors, by majority vote, may establish rates for MEMBERS such that any MEMBER deviating from the prior year's combined group loss ratio upward or downward 10% or more, may be accorded up to a 5-point increase or decrease in the COOPERATIVE'S computed average rate for the upcoming year. In addition, the Board of Directors, by a majority vote, may elect to issue a further increase or decrease of up to an additional 10 points in the COOPERATIVE'S projected rates for the next year on any MEMBER that deviates from the prior year's combined group loss ratio by more than 30% upward or downward. The Consultant may recommend an alternate to the above banding formula. By at least a 2/3 vote of the Board of Directors, such alternate recommended formula may be adopted.
3. The Board of Directors, at least 45 days prior to the start of each fiscal year, will approve rates for the next fiscal year. A failure of the Board to approve the rates as provided above shall not invalidate such action taken at a later date provided that no MEMBER shall have less than 30 days prior notice of payments due the COOPERATIVE as a result of such action.
4. Without regard to any other provision contained within this Article VIII, the Board of Directors may approve rates to be paid by the MEMBERS for life insurance benefits to be based upon total

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pooling of the experience of all MEMBERS with each MEMBER paying the same cost per employee for such life insurance coverage. The term at which a determination regarding the rates due for such life insurance coverage and the manner in which such rates shall be paid shall be the same as that established for other payments into the Benefit Pool. All MEMBERS shall be required to provide life insurance benefits through the COOPERATIVE for all such benefits made part of collective bargaining agreements or provided to an entire class of employees and not made a term of an individual employment contract.

5. The administrative expenses of the COOPERATIVE shall be paid from the Benefit Pool, except that such costs may be calculated based upon the number of employees of each MEMBER whose benefit programs are to be administered by the COOPERATIVE. Sufficient sums shall be paid by the MEMBERS to pay all necessary administrative expenses. The administrative expenses shall be paid into the Benefit Pool, and shall not be subject to the limitation in amounts set forth in Article VIII-C and shall be due and payable even after the termination of the COOPERATIVE.

B. Audit.

The Board of Directors shall provide to the MEMBERS an annual audit of the financial affairs of the COOPERATIVE to be made by a certified public accountant at the end of each fiscal year.

C. Supplementary Payments.

If, during any year, for any claim year, the funds on hand in the Benefit Pool are not sufficient to pay benefits, other costs of the COOPERATIVE, or administration expenses, the Board of Directors shall first utilize the Working Cash Fund and if such fund is not sufficient, it shall require supplementary payments. The increased payments shall be computed utilizing the same method under which payments were made into the Benefit Pool. Provided, however, that no MEMBER shall be required to make supplementary payments to the Benefit Pool to cover an inadequacy of funds attributable to any specific fiscal year which are in an amount greater than 50% above the amount paid into that Pool by the MEMBER during the fiscal year for which the deficit occurs or

the prior twelve months, whichever amount is greater. Such funds shall be distributed in the order in which claims are received and approved for payment by the Third-Party Administrator.

If, after all amounts in the Working Cash Fund are exhausted, and supplementary payments have been called for and not fully received, the COOPERATIVE may loan sums from the Terminal Reserve Fund, but only up to the amount expected to be received from the call for supplementary payments. When the supplementary payments are received, the Terminal Reserve Fund shall be promptly credited with such sums as are necessary to repay the loan.

D. Required Payments.

During any fiscal year, a MEMBER shall only be required to make payments into the Benefit Pool for those employees within those covered classes established at the beginning of the fiscal year who are from time to time employed by the MEMBER.

E. Specific Corridor Fund.

A Specific Corridor Fund is created which may contain funds from any claim year. That fund is intended to pay individual or aggregated claims which, the Board of Directors have established to be within a self-insured level of coverage for which no conventional insurance is purchased. The creation of a Specific Corridor Fund will permit the COOPERATIVE flexibility in the point at which conventional insurance will be purchased, and to create another opportunity for the COOPERATIVE to self-insure. For each claim year, the COOPERATIVE shall determine and establish the extent of the corridor and the amount of money which will be added to the Specific Corridor Fund. In the event that the amount of money within the Specific Corridor Fund is inadequate to pay all claims within that corridor, additional funds shall first be drawn from the Working

Cash Fund and if this Fund is inadequate to pay all remaining claims within that corridor then supplementary payments relating only to the claim year involved shall be contributed by the MEMBERS in accordance with the provisions of Section C. Such funds shall be distributed in the order in which claims are received and approved for payment by the Third-Party Administrator.

If after all amounts in the Working Cash Fund are exhausted and supplementary payments have been called for and not fully received, the COOPERATIVE may loan sums from the Terminal Reserve Fund but only up to the amount expected to be received from the call for supplementary payments. When the supplementary payments are received the Terminal Reserve Fund shall be promptly credited with such sums as are necessary to repay the loan.

ARTICLE IX. Plan of Benefits.

The Plan of Benefits provided to the MEMBERS shall be those selected by each MEMBER. MEMBERS may change the Plan of Benefits from that currently offered provided that MEMBER shall notify the Insurance Broker or Principal Consultant of the COOPERATIVE at least thirty (30) days prior to the intended effective date of such change; and such change shall be subject to a redetermination on an actuarial basis of the payments due the COOPERATIVE. The notified Consultant shall make a determination as to the amount of the increased or reduced payment required in light of the change in the Plan of Benefits. Provided, however, the Consultant may reject the proposed Plan of Benefits in whole or in part if it should find that the estimated cost of the proposed Plan of Benefits cannot reasonably be covered by increased payments, is inconsistent with insurance coverage purchased by the COOPERATIVE, cannot be reasonably or economically administered or is otherwise inconsistent with the Contract and By-Laws of the COOPERATIVE, or its operational or financial stability. If the MEMBER should dispute the amount of the redetermination, or a complete or partial rejection of the proposed Plan of Benefits, a final decision regarding such amount or the Plan of Benefits shall be made by the Executive Committee.

Except as otherwise provided herein, for the period of their membership in the COOPERATIVE, all MEMBERS shall exclusively provide all medical benefits offered within the COOPERATIVE. Benefits shall include any medical services provided through a PPO or an HMO. All MEMBERS which joined the COOPERATIVE after March, 2009, may be required to provide any HMO Benefits offered to its employees through the COOPERATIVE. All MEMBERS which began to provide HMO Benefits to specific employee groups through a contract between the COOPERATIVE and an HMO

provider after March, 2009, shall, once having done so, continue to provide HMO

Benefits to such groups as are available through the COOPERATIVE. All MEMBERS shall also be required to purchase group term life insurance from the COOPERATIVE.

Although MEMBERS may choose a specific Plan of Benefits, such selection shall not entitle the MEMBER to receive payments from the Benefit Pool if the specific or aggregate stop loss insurance purchased for all MEMBERS does not provide coverage in those areas or coverage up to the amounts set forth within the specific plan of benefits of the MEMBER. In such case, the obligation to make such payments shall be that of the MEMBER. In the event that any specific or aggregate stop loss insurance companies providing coverage to the COOPERATIVE as a whole should deny an obligation to pay such claims, and the COOPERATIVE proceeds to contest such decision, if necessary, supplementary payments needed to pay claims shall be called for in accordance with the limited amounts authorized in Article VIII-C. If it should be determined by a court or otherwise that no coverage or limited coverage exists, the Executive Committee shall determine whether the MEMBER shall repay any excess amounts received.

Although MEMBERS may choose the specific Plan of Benefits, the obligation of the COOPERATIVE to pay claims covered by specific or aggregate stop loss insurance shall be limited to the receipt and distribution of all amounts paid by the stop loss insurance companies within the coverage provided by those policies, and any inability of the stop loss companies to pay shall not establish an obligation in the COOPERATIVE. The COOPERATIVE, by motion, may also establish a Conventional Insurance Default Fund into which funds specifically allocated for that purpose may be deposited and retained from year-to-year. Such funds shall be used in a proportional way to cover defaults by insurance companies.

ARTICLE X. Excess Insurance.

The Board shall procure specific stop loss insurance at such levels as are approved by the Board of Directors from a company approved by the Department of Insurance to write such coverage in Illinois. The COOPERATIVE, may purchase aggregate stop loss insurance from a company approved by the Department of Insurance to write such coverage in Illinois.

ARTICLE XI. Obligations of Members.

The obligations of MEMBERS of the COOPERATIVE shall be as follows:

- (a) To budget for, where necessary, to levy for and to promptly pay all payments due to the BENEFIT POOL, other funds and supplementary or other payments to the COOPERATIVE at such times and in such amounts as shall be established by the Board of Directors within the scope of this Agreement. Any delinquent payments shall be paid with a penalty which shall be equal to the highest interest rate allowed by statute to be paid by an Illinois school district.
- (b) To provide through the COOPERATIVE all benefits which the COOPERATIVE requires its MEMBERS to exclusively so offer. If the COOPERATIVE should require its MEMBERS to self-insure HMO coverage, any employee or retired employee covered by an HMO other than that offered by the COOPERATIVE, shall, at the option of the MEMBER, be permitted to continue participation with the prior HMO.
- (c) To select a person to serve on the Board of Directors and to select an alternate representative.
- (d) To allow the COOPERATIVE reasonable access to all facilities of the MEMBER and all records including, but not limited to, financial records which relate to the purpose or powers of the COOPERATIVE.
- (e) To allow attorneys employed by the COOPERATIVE to represent the MEMBER in investigation, settlement discussions and all levels of litigation arising out of any claim made against the MEMBER within the scope of loss protection furnished by the COOPERATIVE.

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- (f) To furnish full cooperation to the COOPERATIVE'S attorneys and any agent, employee, officer or Consultant of the COOPERATIVE relating to the purpose and power of the COOPERATIVE, and to follow such loss prevention actions as may be adopted from time-to-time by the Board of Directors.
- (g) To report to the COOPERATIVE, within the reasonable time period required, all pertinent information regarding census, claims and other information of pertinence to the COOPERATIVE.
- (h) To furnish the appropriate Consultant with a copy of revisions to its written benefit program at least thirty (30) days prior to the effective date of such change.
- (i) In the event that a MEMBER should fail to fulfill its obligations, both financial and otherwise, or should be negligent in any way which results in the COOPERATIVE incurring an obligation or loss, or otherwise incurring non-reimbursed financial obligations, the MEMBER shall be required to reimburse the COOPERATIVE for its full costs within thirty (30) days after notice to do so. If failure to promptly pay shall result in the obligation of the MEMBER to pay interest after the due date at the highest amount permitted to be paid by an Illinois governmental body, plus any costs incurred by the COOPERATIVE in recovering such unpaid funds.

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ARTICLE XII. Liability of Board of Directors or Officers.

The MEMBERS of the Board of Directors or officers of the COOPERATIVE should use ordinary care and reasonable diligence in the exercise of their power and in the performance of their duties hereunder; they shall not be liable for any mistake of judgment or other action made, taken or omitted by them in good faith; nor for any action taken or omitted by any agent, employee or Consultant selected with reasonable care; nor for loss incurred through investment of COOPERATIVE funds, in accordance with the Contract and By-Laws, or failure to invest. No Director shall be liable for any action taken or omitted by any other Director. No Director shall be required to give a bond or other security to guarantee the faithful performance of their duties hereunder. The funds of the COOPERATIVE shall be used to defend and hold harmless any Director or officer for actions taken by the Board or performed by the Director within the scope of that Director or officer's authority for the COOPERATIVE. The COOPERATIVE may purchase insurance providing similar coverage for such Directors or officers.

ARTICLE XIII. Additional Insurance.

The COOPERATIVE, through the distribution of the minutes of the Board of Directors or through other means, shall inform all MEMBERS of the scope and amount of insurance in force from time to time. Membership in the COOPERATIVE shall not preclude any MEMBER from purchasing any insurance coverage above those amounts purchased by the COOPERATIVE.

ARTICLE XIV. Disputes Over Coverage.

In the event that a MEMBER should dispute whether an employee of the MEMBER is entitled to payments from the Benefit Pool, that MEMBER shall, in writing, direct the COOPERATIVE not to pay any further amounts arising from such claim after the date of the receipt of the written direction. When so directed, the COOPERATIVE shall not pay such claim unless the MEMBER'S order is withdrawn. Provided, however, that MEMBER shall defend and hold harmless the COOPERATIVE against any costs or damages which the COOPERATIVE shall incur in acting on the direction of the MEMBER. Should the MEMBER fail in its obligation to defend and hold harmless, the Board of Directors of the COOPERATIVE may independently consider and decide the validity of the claim. In the event that a MEMBER, which has not provided a direction not to pay, but still disputes a decision of an officer, employee or Consultant of the COOPERATIVE, granting or denying a benefit, the matter shall be presented first to the Executive Committee and, if the MEMBER does not concur with that decision, then to the Board of Directors which shall determine whether the benefit payment should be made.

ARTICLE XV. Contractual Obligation.

This document shall constitute a contract among those school districts or intergovernmental agencies which become MEMBERS of the COOPERATIVE. The obligations and responsibilities of the MEMBERS set forth herein, including the obligation to take no action inconsistent with these By-Laws as originally written or validly amended, shall remain a continuing obligation and responsibility of the MEMBER. The terms of this Contract may be enforced in a court of law by the COOPERATIVE.

In the event that the COOPERATIVE shall be required to expend any funds in order to enforce the obligations of any MEMBER under this Contract and By-Laws, it shall recover from that MEMBER its costs of collection including, if required, attorneys' fees litigation costs and any other fees or charges.

The consideration for the duties herewith imposed upon the MEMBERS to take certain actions and to refrain from certain other actions shall be based upon the mutual promises and agreements of the MEMBERS set forth herein. This Contract and By-Laws may be executed in duplicate originals and its passage by school districts may be evidenced by a certified copy of a resolution passed by a majority of the members of the governing board. Provided, however, that except to the extent of the limited financial contributions to the COOPERATIVE agreed to herein or such additional obligations as may come about through amendments to these By-Laws, no MEMBER agrees or contracts herein to be held responsible for any claims in tort or contract made against any other MEMBER. The contracting parties intend, in the creation of the COOPERATIVE, to establish an organization for intergovernmental self-insurance only within the scope herein set out, and have not herein created as between MEMBER and MEMBER any

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relationship of surety, indemnification or responsibility for the debts of or claims against any MEMBER. Nor have they intended to create an insurance company or mutual organization regulated by the Department of Insurance.

ARTICLE XVI. Expulsion of Members.

By the vote of at least two-thirds (2/3) of the entire membership of the Board of Directors, if a hearing is requested or by the vote of at least two-thirds (2/3) of the Executive Committee if no hearing is requested, any MEMBER may be expelled. Such expulsion may be carried out for one or more of the following reasons:

- (a) Failure to make any payments due to the COOPERATIVE.
- (b) Failure to undertake or continue loss reduction and prevention procedures adopted by the COOPERATIVE.
- (c) Failure to allow the COOPERATIVE reasonable access to all facilities of the MEMBER and all records which relate to the purpose or powers of the COOPERATIVE.
- (d) Failure to furnish full cooperation with the COOPERATIVE'S attorneys or any agent, employee, officer or independent contractor of the COOPERATIVE relating to the purpose and powers of the COOPERATIVE.
- (e) Failure to carry out any obligation of a MEMBER which impairs the ability of the COOPERATIVE to carry out its purpose or powers.

No MEMBER may be expelled except after written notice from the Executive Committee of the alleged failure along with a reasonable opportunity of not less than thirty (30) days to cure the alleged failure. The notice shall specify that the MEMBER shall be expelled unless the failure is cured and the date upon which expulsion shall occur if no hearing is requested. The MEMBER, in writing, may request a hearing before the Board. The request shall be made prior to the date by which the failure is to be cured. The date for the hearing will be set by the Chairperson, who shall call for a Board meeting to take

place. The date for a hearing shall not be less than seven (7) days after the expiration of the time to cure has passed. A decision by the COOPERATIVE to expel a MEMBER after notice and hearing and a failure to cure the alleged defect shall be final unless the COOPERATIVE shall be found by a court to have committed a gross abuse of discretion. After a hearing, the Board of Directors may establish the date at which the expulsion of the MEMBER shall be effective at any time not less than forty (40) days after the vote expelling the MEMBER has been made by the Board of Directors. If the expulsion is for a failure to make payments due to the COOPERATIVE the effective date of the expulsion may be at any time after the vote expelling the MEMBER. Also, if the date of expulsion is less than ninety (90) days before the beginning of the next fiscal year, the COOPERATIVE may expel at the end of the fiscal year. If the motion to expel the MEMBER made by the Board of Directors or a subsequent motion does not state the time at which the expulsion shall take place, such expulsion shall take place forty (40) days after the vote expelling the MEMBER, or at the beginning of the next fiscal year, whichever date is sooner.

After expulsion, the former MEMBER shall continue to be fully obligated for all obligations which were created during the term of its membership as if it was still a MEMBER of the COOPERATIVE. The expelled MEMBER shall, after expulsion, no longer be entitled to participate or vote on the Board of Directors or as a part of any committee.

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ARTICLE XVII. Withdrawal of a Member and Termination of the Cooperative.

Except as otherwise specifically provided, all MEMBERS of the COOPERATIVE shall be obligated to continue as MEMBERS during each one fiscal year membership cycle. The obligation of a MEMBER during each cycle in which it is a MEMBER shall include continuing participation with regard to all classes of employees of the MEMBER established as being entitled to benefits at the commencement of each cycle. Provided, however, that upon at least a two-thirds (2/3) vote of the Executive Committee, any MEMBER may be relieved of continuing participation with regard to a particular class or classes of employees of the MEMBER. In addition, a MEMBER shall only be required to provide continuing participation for those persons within such classes of employees as are actually employed or working for the MEMBER.

If any MEMBER, in breach of this contract, should seek to withdraw from the COOPERATIVE other than in the manner provided for herein, the COOPERATIVE shall, in addition to any other remedy permitted by law, have the choice of requiring the withdrawing MEMBER to fulfill its contractual and financial obligations to the COOPERATIVE, or the Board of Directors or the Executive Committee may elect to permit the MEMBER to withdraw from the COOPERATIVE and in that case, the COOPERATIVE may choose to pay no claims of employees of the MEMBER filed subsequent to the date of the withdrawal. This remedy shall be in addition to that provided in Article XVI, and shall not require notice or hearing.

If a MEMBER should properly withdraw from the COOPERATIVE in the manner authorized within this Contract and By-Laws and is not in financial arrears, the COOPERATIVE shall pay benefit claims of the withdrawing MEMBER, which were incurred during its period of membership, and not previously paid, but only in an amount

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which does not exceed 15% of the actual paid claims for that MEMBER during the last fiscal year in which it was a MEMBER, excluding amounts paid or to be paid by specific or aggregate stop loss insurance. After such amounts have been paid, no benefit claims of the MEMBER shall be processed or paid by the COOPERATIVE. Any pending claims and other records relating to the withdrawing MEMBER shall then be turned over to that MEMBER in a prompt manner. All withdrawing or expelled MEMBERS shall remain fully obligated for their portion of all expenses of and claims against the COOPERATIVE incurred during the period of their membership.

The obligation of the COOPERATIVE to administer the claims filed under the benefit program of an expelled MEMBER shall cease on the date the expulsion becomes effective. Pending claims and other records of the expelled MEMBER shall be turned over to that MEMBER in a prompt manner.

If the withdrawal of MEMBERS prior to the start of any fiscal year shall reduce the number of covered employees of the remaining MEMBERS, and any new MEMBERS legally committed to membership for the next fiscal year to less than 1,000 persons, the COOPERATIVE shall, except for winding up its affairs, cease its operations at the end of the then-concluding fiscal year. If, during any fiscal year, the number of covered employees and officers should be reduced to below 300 persons, any MEMBER may call a special meeting to discuss the feasibility of continuing the COOPERATIVE in operation until the close of that fiscal year.

In the event the COOPERATIVE should cease its operations, the Board of Directors shall continue to meet on such a schedule as shall be necessary to carry out the winding up of the affairs of the COOPERATIVE. After all valid claims of the COOPERATIVE have been paid and all administrative expenses have been paid, any

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remaining funds in any account shall be distributed to those MEMBERS of the COOPERATIVE which continued to be MEMBERS upon termination and had been MEMBERS for at least five (5) years, payments shall be made in proportion to their contributions to the COOPERATIVE.

DATED: _____

Board President

ATTEST:

Board Secretary

