

****IMPORTANT****
REQUIRES BOARD ACTION

DATE: March 28, 2016

TO: PACE Members

FROM: Phil Wentz, PACE Board Chair

SUBJECT: New PACE Trust Agreement Requires Board Action

**2015-2016 PACE
BOARD OF TRUSTEES**

Chair

Phil Wentz
Facilities Manager
Tigard-Tualatin 23J

Vice Chair

Debbie Laszlo
Reg. Risk/Benefits Mgr.
Redmond 2J

Sharla Andresen
Dir., Contracts & Risk
Central Oregon CC

Marie Knight
Fiscal Assistant
Vernonia 47J

Craig Prewitt
Board Chair
Phoenix-Talent 4

John Rexford
Superintendent
High Desert ESD

Michael Schofield
Chief Financial Officer
Gresham-Barlow 10

Adam Stewart
Chief Financial Officer
Hillsboro 1J

Brett Yancey
Dir., Bus. Operations
Springfield 19

Oregon law requires that self-insured public entity programs be formed through an intergovernmental agreement between the participating entities. PACE's original trust was adopted in 2006 and the Trustees just completed a review of the original trust and proposed a couple of changes to the OSBA Board of Directors.

Now that the new PACE Declaration of Trust has been approved by the OSBA Board of Trustees, it is necessary to have all of the trust members have their boards adopt the Joinder of Trust Agreement. The Joinder of Trust Agreement is located on the last page of the enclosed Declaration of Trust. By signing the Joinder of Trust Agreement your board will be entering into an intergovernmental agreement with PACE.

Before renewing in the PACE self-insured, property, and liability program, your board will need to adopt the enclosed Joinder of Trust Agreement and return a signed copy to PACE. We understand that this is not an easy task for PACE's many members to accomplish, but we assure you we would not be taking this action if the Trustees did not feel it was absolutely necessary to protect the trust's assets, which all of the members have helped build over the past 10 years.

Following is the deadline for sending back the signed resolution to PACE by:

- **June 30, 2016**
- **Please return the signed resolution to underwriting@sdao.com or FAX to (503) 371-4781**

I am sure you and your board members will have questions about the new Trust Agreement. In anticipation of your questions, following are some frequently asked questions and answers for your reference.

FREQUENTLY ASKED QUESTIONS:

What is my district's financial risk as part of a self-insured program?

The revised Declaration of Trust does not increase your district's financial liability any more than you currently have under the existing Trust Agreement. The PACE Trust is a non-assessable trust. This means that your district can never be asked to contribute additional funds, other than your annual contributions, to cover your claims or the claims of any other member. It also means, though, that you are ultimately responsible for your own claims liabilities in the event the trust is not able to pay your claims. The PACE Trustees are dedicated to making sure this never happens by being extremely conservative with the amount of funds the trust retains to pay claims. Based on a certified actuary's estimates, PACE has over \$32 million to satisfy all claims liabilities. When not used in the day-to-day business operations, these funds are invested, which allows for reinvestment of PACE resources into programs that reduce members' risks and keep rates low. In addition, the trust purchases reinsurance that puts a cap on the trust's and members' claims liability.

Why is the Trust Agreement an intergovernmental agreement?

Oregon law requires that for local governments to form their own self-insured programs they must do so by entering into an intergovernmental agreement. Intergovernmental agreements require each participating organization to have a resolution adopted by its Board of Directors. The enclosed Joinder of Trust Agreement can be considered a suggested board resolution.

What are the primary differences between this new Trust Agreement and the original agreement?

There are two substantive changes to the Trust Agreement. First, Trustees created a dispute resolution process in the new Trust Agreement that encourages the parties to resolve any disputes at the lowest possible level.

Secondly, under the new agreement, Trustees will be allowed to serve up to three terms of three years, adding stability to the program and allowing Trustees the ability to apply the education they have received to the complexities of the insurance program.

Why can't my district find a resolution adopting the original Trust Agreement?

When the original Trust Agreement was created in 2006, the originators did not believe the Trust Agreement needed to be approved by the participating members. They had

an opinion that the coverage documents issued to members at their insurance renewals were considered an intergovernmental agreement that was entered into with the members when the members paid their contributions. With changes in law and philosophy over time, we believe that the best course of action for the newly amended Declaration of Trust is for each member to sign a resolution agreeing to enter into the Trust Agreement as an intergovernmental agreement.

What happens if my district does not adopt the resolution?

Unfortunately, if your district does not adopt the Joinder of Trust Agreement, your district will no longer be able to participate in the property or liability program. Your district will not be able to renew its coverage in these programs when your current policy term expires.

Whom should I contact if I have questions about the enclosed materials?

PACE Administration
Lisa M. Freiley
Staff Counsel
lfreiley@osba.org
(503) 588-2800
(800) 578-6722

**FORM OF
JOINDER TO TRUST AGREEMENT
FOR MEMBERS**

By execution of this Joinder, the undersigned public body hereby agrees to become a party to, and is bound by, the First Restatement of Declaration of Trust of the Property and Casualty Coverage for Education (PACE) effective as of March 12, 2016 (and as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among the Trustees and the Members, in the same manner as if the undersigned were an original signatory to such Agreement.

The undersigned represents and warrants that (i) the undersigned has received a copy of, and has reviewed the terms of, the Agreement and all related or relevant documents and agreements, (ii) undertakes to become a Member of the Property and Casualty Coverage for Education (PACE) with all the rights and obligations thereof, and (iii) such undertaking has been duly authorized as an intergovernmental agreement to create a program of self-insurance pursuant to ORS 30.282. Capitalized terms used but not defined in this Joinder shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder as of this ____ day of _____, 2016.

[Name of District]

By: _____

Name: _____

Title: _____

Address for Notices:

With copies to:

RESTATED TRUST AGREEMENT

Property and Casualty Coverage for Education

THIS DECLARATION AND AGREEMENT creating the OSBA PROPERTY AND CASUALTY COVERAGE FOR EDUCATION TRUST (OSBA PACE), hereinafter referred to as the "Trust," is made and entered into by and between the OREGON SCHOOL BOARDS ASSOCIATION, acting by and through its Board of Directors, and the TRUSTEES signatory hereto,

WITNESSETH:

WHEREAS, the Oregon School Boards Association, hereinafter referred to as the "Association," is an organization of school boards of school districts in the State of Oregon established to promote the common interests of its members and to institute programs to assist those members in performing their governmental functions in a cost effective way; and

WHEREAS, the Association desires to establish a program whereby the risks incurred by its members in the areas of tort liability, property loss and workers' compensation may be effectively and economically managed and whereby insurance and self-insured retention of such risks may be most responsibly and economically funded; and

WHEREAS, the Association has agreed to establish such a program and to make arrangements for those members of the Association which desire to do so to procure and maintain group insurance coverages or participate in group self-insurance for the benefit of such members; and

WHEREAS, the Association is merely an association and the establishment of a trust is necessary and desirable for the receipt, protection, management and disposition of the premiums, contributions and other collections to be received; and

WHEREAS, the purpose of this agreement, therefore, is to establish a trust which will protect and manage insurance premiums, contributions and other collections related to the program; oversee the management and administration of the program; and approve the necessary contracts, insurance policies, premium and fee schedules, and other arrangements necessary to implement the program for the benefit of those members of the Association that choose to participate; and

WHEREAS, the undersigned Trustees have consented to act as the initial trustees under this Trust Agreement, and their consent shall be evidenced by their signatures hereto,

NOW, THEREFORE, in consideration of the benefits to be derived for the participating members of the Association and the mutual promises and agreements hereinafter set forth, the parties agree as follows:

1. **Creation of Trust:** The Association hereby establishes a trust to be known as the "OSBA Property and Casualty Coverage for Education Trust" (OSBA PACE) which shall in all respects be governed by the laws of the State of Oregon and administered to accomplish the purposes expressly, and by necessary implication, contained herein.

2. **Purposes of Trust:** The express purposes and primary objectives of the Trust are:

- (a) To insure that there is available to members of the Association a market for liability, property and/or workers' compensation insurance coverage appropriate to the risks to which such members are exposed.
- (b) To aggregate the collective buying power of the members of the Association, and the economic advantages of individual and pooled risk retention where lawful and actuarially sound, and to reduce and stabilize the cost of funding those risks.
- (c) To make available to members of the Association a resource of expertise in the management of risk through loss prevention and loss control program, claims management and consulting, data gathering, information sharing and related services.
- (d) To act as an information resource to members of the Association in presenting to appropriate legislative bodies and committees data related to the cost of public body risk in Oregon.
- (e) To create and act as a pooled self-insured retention fund for participating members of the Association, and to establish actuarially sound contribution schedules for participants in such a pool at appropriate retention levels.
- (f) To receive, account for, invest and disburse as lawfully due and payable moneys collected from participating members of the Association as premiums, fees and other contributions to the Trust.
- (g) To promote the common interests of its members and to institute programs to assist those members in performing their governmental functions in a cost effective way.

The foregoing expression of purposes is not exhaustive and, in addition to other related objectives reasonably inferred from that list, the Trust shall have such other objectives as may be lawful for an intergovernmental association under Oregon law.

3. **Designation of Trustees:**

- (a) The Trust shall be managed by a board of nine (9) trustees (the "Trustees") chosen by majority vote of the Board of Directors of the Association. The Trustees, parties hereto, have been so chosen.
- (b) As qualification for appointment and continued service, each appointed trustee shall be an elected or appointed official of a member of the Oregon School Boards Association.
- (c) The term of office of a trustee shall be for three (3) years at a time. The Trust may nominate a Trustee to serve up to two (2) additional three (3) year terms which must be approved by the OSBA Board of Directors prior to the start of each additional term.
- (d) The Trustees shall submit a list of nominated candidate(s) to the OSBA Board of Directors for consideration. If the list of candidates is not acceptable by the OSBA Board of Directors, the Trustees will continue to submit nominated candidate(s) for consideration

until accepted by the OSBA Board of Directors. To the extent practicable, the OSBA Board of Directors shall appoint a successor (including the incumbent if it be so desired) prior to the expiration of a term of a trustee, which appointee shall assume the duties of office upon appointment.

- (e) (Reorganized paragraph) The Trustees shall submit a list of nominated candidate(s) to the OSBA Board of Directors for consideration. If the list of candidates is not acceptable by the OSBA Board of Directors, the Trustees will continue to submit nominated candidate(s) for consideration until accepted by the OSBA Board of Directors. Vacancies in the office of a trustee shall be filled by a majority vote of Directors of the Association from the list submitted by the Trustees.
- (f) During the period of any vacancy or vacancies among the trustees, the remaining trustees shall have full power to act.
- (g) No Trustee shall serve, and no appointment shall be effective, until such appointee acknowledges in writing full and, unconditional acceptance of the terms of this Trust.
- (h) The Trustees shall designate a chair to preside at meetings of the trustees and to possess such powers and to perform such duties as the holder of such an office usually has and performs. The Trustees shall also designate a vice-chair to act in the absence of the chair. In the absence of both the chair and the vice-chair, the Trustees constituting a quorum may elect a chair pro tempore for purposes of conducting a meeting and transacting Trust business. All such officers of the Trustees may vote on any issue or matter properly before the Trustees.
- (i) The Executive Director of the Oregon School Boards Association shall be designated as the Program Administrator. The Program Administrator, or his designee, shall serve as an ex-officio Trustee. The Trustees shall require the Program Administrator to keep and preserve minutes of the meetings of the Trustees and possess such powers and perform such duties as the holder of such an office usually has and performs.
- (j) A Trustee may resign by notification to the Program Administrator. If such notification is made orally, the Program Administrator shall reduce it to writing. The written notice of resignation shall be delivered to the chair of the Trust. Such written notice of resignation may state a prospective date upon which such resignation shall become effective; otherwise, such resignation shall become effective upon acceptance by the OSBA Board of Directors. Upon the effective date of any such resignation, such Trustee shall become and be fully discharged from all further duties, responsibilities or liabilities associated with such office. A Trustee, upon vacating such office, shall promptly deliver to the remaining Trustees or Program Administrator any and all records, books, documents, monies or other property of the Trust in the possession or under the control of such Trustee.
- (k) Any Trustee may be removed from office because of a violation of their fiduciary responsibilities by the OSBA Board of Directors.

4. **Powers of Board of Trustees:** In furtherance of the purposes set forth in this Trust, the Trustees shall have such powers as may be necessary or prudent to discharge their responsibilities in

managing and controlling the Trust, whether or not mentioned herein, including but not limited to the following powers:

- (a) To provide programs whereby members of the Association may obtain or participate in the coverage afforded by policies of insurance or participate in pooled self-insurance programs. To accept, determine and make reasonable arrangements for the payment by or on behalf of each Member of all contributions and premiums due. Administer the loss funds, collect contributions thereto and pay authorized losses on behalf of its Members.
- (b) To engage in and oversee, as the Trustees deem appropriate, the services of competent insurance agents and brokers to negotiate on behalf of the Trust with insurance underwriters and to market coverage and services to prospective participants in the Trust's services. To purchase reinsurance or excess insurance as necessary to protect the interest of the Members of the Trust.
- (c) To engage and oversee administrative services and other staff necessary to provide risk management and insurance related services to the Trust and its participants, including such claims reporting and adjusting record keeping, information sharing, underwriting, claims administration services, legal defense and settlement of claims, communications and marketing, loss control and prevention procedures and consulting, risk reduction and related administrative and consulting services as the Trustees deem appropriate.
- (d) To review and approve policy forms, service contract forms, and other documents appropriate to the operation of the Trust and to establish the limits of authority of the persons engaged under Paragraphs (b) and (c) above.
- (e) To establish funding levels for insurance coverages offered by the Trust; To establish procedures for the collection, investment and disbursement of moneys owed to and by the Trust; and to establish actions to be taken with respect to delinquent accounts receivable.
- (f) To provide for complete accounting and a plan for audit of the funds received, invested, kept and disbursed by the Trust; and to establish such accounts with financial and investment institutions and brokerages as may be necessary and prudent for the proper management of Trust funds.
- (g) To contract for the services of staff members and for such support services and facilities as the Trustees shall consider appropriate. The Trustees may pay for such services and facilities out of Trust funds.
- (h) To contract for risk management and insurance related services; to provide for marketing the products and services of the Trust; to provide claims reporting and adjusting record keeping; information sharing, underwriting, claims administration, legal services, communications and marketing, loss control and prevention including but not limited to use of the name and goodwill of the Association. The Trustees may pay for such services out of Trust funds.
- (i) To appoint from among themselves such committees as the Trustees shall deem expedient which may be vested with such powers as the Trustees in their sole discretion shall determine. To establish such advisory committees as the Trustees deem advisable to assist

in policy and operations of the Trust and to appoint qualified persons to such committees to serve at the pleasure of the trustees.

- (j) To receive, hold, and manage premiums for such programs authorized by the trustees, to invest, reinvest, and manage funds received for such purposes and to transmit to the proper recipient premiums received. To employ such agents, advisors and counsel as may be reasonably necessary in collecting, managing, administering, investing and distributing the assets of the fund and to charge the expense thereof to the Trust.
- (k) Subject to the laws of the State of Oregon, if any premiums or expenses as hereinafter provided for are not paid by a member of the Association within thirty (30) days from the date of notification that the same is due, the Trustees may terminate that member's right to participate further under this trust and any program established hereunder; and thereupon, without further notice, any insurance as may exist for the benefit of such member may be terminated. Any such member whose participation is so terminated may be reinstated and entitled to subsequent participation by appropriate approval by the Trustees and upon such terms and conditions as the Trustees shall prescribe.
- (l) The Trustees shall not be entitled to any remuneration for their services but they may be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties as trustees. To the extent that such Trustee is reimbursed by a Member or other entity for expenses as Trustee, such Trustee shall not be so reimbursed, but such reimbursement may be paid to the Member or other entity, as the case may be, with respect to which such Trustee is an employee.
- (m) The Trustees may delegate any of their non-discretionary powers to the Program Administrator, service administrator or other staff retained by the Trustees as the Trustees deem it appropriate.
- (n) The Trustees shall require all persons performing services to the Trust to be bonded or insured in a form and amount set by the Trustees. The cost of such bond may be paid out of Trust funds.
- (o) To promulgate bylaws for the operation of the Trustees and to make reasonable rules and regulations for the fulfillment of the purposes of the Trust and the programs to be established pursuant hereto. Violation of any such rules and regulations by a participating member shall also be cause for termination of participation hereunder or in any program instituted pursuant hereto after notice given as the Trustees in its sole discretion shall determine. Reinstatement of any such violator shall rest in the absolute discretion of the Trustees and upon such terms and conditions as the Trustees shall determine.
- (p) The Trustees may maintain a bank account or bank accounts in such depositories as the Trustees may select and may empower any person or persons selected by them to draw and sign checks against any funds deposited therein. To hold cash, uninvested, for such length of time as the Trustees may determine without liability for interest thereon.
- (q) To engage and pay for such accounting, legal or other professional advice or assistance as in the discretion of the Trustees may be required. The Trustees may pay for such services out of Trust funds.

- (r) To determine the general policy for operation of the Trust that shall be followed by all committees, officers, employees, agents, and independent contractors employed by the Trust.
- (s) To ensure the chair or vice-chair of the Trustees shall execute on behalf of the Trust all contracts, documents and pleadings as may be approved by the Trustees, provided that the Trustees may delegate to any person or firm engaged pursuant to Paragraphs 4(b), ©, (g) or (n) a limited agency authority to bind the Trust in certain cases or kinds of transactions to be specified by the trustees.
- (t) To sue and be sued, or to prosecute and defend any and all actions affecting the Trust or its property, either in the name of the Trust or in their own names; to compromise or settle any suit, claims or demands, or waive or release any rights relating to the Trust or its property.
- (u) To have a judicial settlement of their accounts and judicial determination of any questions in connection with their duties and obligations hereunder, or in connection with the administration or distribution thereof. The costs and expenses, including accounting and legal fees, for such judicial settlement of accounts or other judicial determination shall be paid by the Trust as a general administrative expense to the extent permitted by applicable law.
- (v) To borrow or raise money for the purpose of the Trust in such amount, and upon such terms and conditions as the Trustees shall deem advisable; and for any sum so borrowed to issue the promissory note of the Trust, and to secure the repayment thereof by creating a security interest in all or any part of the property of the Trust; and no person lending such money shall be obligated to see that the money lent is applied to Trust purposes or to inquire into the validity, expedience or propriety of such borrowing. No such debt incurred by the Trust shall be deemed a debt of any Member.
- (w) To continue to have and to execute, after the termination of the Trust and until final distribution, all of the titles, powers, discretions, rights and duties conferred or imposed upon the Trustees hereunder, or by law.
- (x) To acquire, hold, own, rent or lease, alone or in conjunction with any other party or parties and for the use in connection with the purposes of the Trust, any property, real or personal, and to pay the appropriate pro rata part of the mortgage payments, property taxes, assessments, insurance, maintenance and ordinary repairs on all such property.
- (y) To purchase as a general administrative expense of the Trust general liability insurance fidelity bonds and other insurance for the benefit of the Trust or the protection of the Trustees, Trust employees or agents against any losses by reason of errors or omissions, breach of fiduciary duty or negligence.
- (z) To construe and interpret this Trust Agreement.

5. **Duties of the Trustees:** The Trustees shall have the following duties:

- (a) To notify each participating member of the amount of premium due from such participant.

- (b) To receive the appropriate amount of premiums and remit the same promptly to the appropriate insurer or its representative entitled to receive the same, or retain such premium in the Trust if pertaining to a self-insurance program.
- (c) If any dividends or benefits are received by the trustees, the same shall be used by the trustees as a part of the trust funds or used to reduce premiums on an equitable basis all as shall be determined by the trustees in their sound discretion.
- (d) To keep accurate account books and records reflecting all transactions of the Trust and to provide for an annual audit of Trust funds, accounts and operations, and financial reports as the Trustees deem necessary. Copies of such audits and financial reports shall be furnished to each Trustee. The cost of such audits may be paid out of Trust funds.
- (e) To furnish to participating members such special reports or information as they reasonably require, provided the Trustees in its sound discretion may make the payment of the expense of furnishing the same a condition precedent to doing so.
- (f) To examine and re-examine the nature and provisions of insurance obtained by members and to seek to improve the coverage and the cost thereof.
- (g) The Trustees may delegate these duties to the Program Administrator, other service administrator or other staff retained by the Trustees as the Trustees deem it appropriate.
- (h) If services are not otherwise provided by the Trust, the Trustees shall obtain the services of a service company for the purpose of administering claims. The service company shall adhere to guidelines for the performance of its duties as set forth by the Trustees.
- (I) Pay claims to or on behalf of the Members in accordance with purposes of the Trust Agreement, Bylaws, Rules and coverage documents.
- (j) Create a reserve for the payment of claims.
- (k) Pay or provide for the payment on behalf of Members hereunder all premiums as they become due to an insurer on any policy of insurance.
- (l) Cause to be maintained accounts of all investments, receipts, disbursements and all other transactions affecting funds or property of the Trust.
- (m) Engage an independent certified public accountant to perform a financial audit of the Trust at least once per fund year and to report regarding such audit to the Members at the meetings of the Members.
- (n) Engage an independent and qualified actuary to perform actuarial calculations and provide advice regarding the sufficiency of the loss funds as frequently as is required for prudent management.
- (o) Maintain minutes of all meetings of the Trustees and Members and cause copies thereof to be distributed in a timely manner to all Trustees.

- (p) Publish such claim reports, financial statements and actuarial projections as necessary to advise Members of the current and projected financial status of the Trust.
 - (q) Pay all taxes and assessments that may be levied or assessed under existing or future laws upon, or in respect of, the Trust or its income.
 - (r) Cause the terms and provisions of the Trust Agreement, the Bylaws and the Rules to be performed and carried out and the assets of the Trust to be properly held and administered.
 - (s) Pay or provide for the payment of all reasonable and necessary expenses of administering the Trust and all charges reasonably incurred by the Trustees in protecting the funds and property of the Trust and in carrying out the purposes of the Trust.
6. **Meetings of the Board of Trustees:** Each Spring the Trustees shall hold an annual meeting. Other meetings of the Trustees shall be held at the call of the chair or of any five (5) trustees. The notice of any meeting shall state the time, place and purpose or purposes of the meeting. It shall be in any form of communication that the person or persons calling the meeting may designate, provided that it shall be given five (5) days in advance of the meeting, and provided further that nothing herein contained shall prevent the holding of any meeting pursuant to a consent to hold the same and a waiver of notice thereof signed by all the trustees entitled to receive notice. A majority of the trustees shall constitute a quorum for the transaction of business. All meetings shall be held within the State of Oregon. All decisions of the trustees shall be made by a vote of a majority of the trustees present and voting. Conduct of all meetings shall be governed by rules of order promulgated in the Bylaws.
7. **Use of Trust Funds:**
- (a) Without further specific action of the Trustees, but subject to any limitations or conditions set by the Trustees in its bylaws or regulations, the administrators designated by the Trustees shall disburse or authorize disbursement of moneys from funds of the Trust for any of the following purposes:
 - (1) Payment of moneys due and certain under or by virtue of any contract, bond, or policy of insurance made or obtained by or on behalf of the Trust, including the costs of audits;
 - (2) Investment and reinvestment of Trust funds under such standards and limitations as may be approved by the Trustees;
 - (3) Payment of premiums due on fidelity, performance, errors and omissions, or other bonds and insurance which the Trustees may require in its bylaws to protect the Trust and the trustees;
 - (4) Reasonable and necessary expenses incurred by trustees for such items as travel, meals, lodging, telephone calls and other out-of-pocket expenses incurred in performing their duties as trustees, provided that the personal services and time devoted by trustees shall not be compensated by Trust funds.
 - (5) Payments authorized by the Trust's annually approved budget.
 - (b) Except as provided in Paragraph 7(a), Trust funds shall not be disbursed, expended or indebted without express approval of the Trustees. Such approval may be solicited from each trustee in writing without necessity for a meeting of the Trustees.

- (c) Surplus funds, including the income from investments of the Trust, in excess of obligations payable under this Section may, at the direction of the Trustees, be distributed in whole or in part, from time to time, to participants in the program, either directly or by way of reduction of premiums, contributions or other fees assessed to participants. Such distributions shall be based upon such formula as the Trustees shall approve except as provided in this section, investment income shall remain with the Trust for reinvestment or satisfaction of the obligations of the Trust as provided in Paragraph 7(a).

8. Membership in the Trust:

- (a) School boards and districts, education services districts, and community colleges represented by them (as such terms are defined in the Constitution and Bylaws of the Association) which are members of the Association and any Charter School (established pursuant to ORS Chapter 338) that is sponsored by a participating member of OSBA-PACE or a district that is self insured who purchases excess coverage from the OSBA-PACE may participate under this Trust and in all programs established pursuant hereto. To participate, the school board and district shall make application for membership to the Trustees under such terms and conditions as the Trustees may reasonably require. Membership shall be granted to any qualified applicant which agrees to comply with such terms and conditions unless good reasons exist why membership should be denied.
- (b) A member's participation in the Trust may be terminated or not renewed by the Trustees in the event it ceases to be qualified under Paragraph 8(a) above, subject to any vested right not otherwise subject to termination for cause, which the member may have acquired in such participation. The Trust may terminate membership and participation of any Member who fails to comply with the reasonable requirements of the Trustees concerning payment of contributions or premiums, compliance with loss prevention programs or cooperation with the Trust staff and agents or for any other reason that may be detrimental to the fiscal soundness or efficiency of the Trust.

9. Termination of Trust:

- (a) The Trust shall terminate upon the happening of any of the following:
 - (1) The date on which all participating members shall cease to be members of the Association.
 - (2) The date on which there are no members of the Association participating in the services offered by or indemnified or insured by or through the Trust.
 - (3) Upon notice in writing requesting termination given by the OSBA Board of Directors to the Trustees and all participating members.
 - (4) Upon the dissolution, adjudication of bankruptcy or appointment of a receiver for the Association.
- (b) Notwithstanding anything contained herein, the voluntary termination of the Trust identified in Paragraph 9(a)(3) above shall not occur until the expiration or termination of every policy, contract or other agreement under which any member participates in the services offered by or is indemnified or insured by or through the Trust.

- (c) Upon termination of the Trust, any excess funds held in the Trust after payment of all just claims and expenses shall be first distributed to Trust members for the payment of all liabilities incurred prior to such termination and for liquidation of all assets of the trust. Upon satisfaction of all obligations of the Trust, all remaining assets of the Trust shall be returned to current participating members based on a formula of historic contributions and losses to the Trust.
 - (d) Automatic termination as provided in Paragraphs 9(a)(1), (2) and (4) shall not affect the rights of any participating member under any "policy" of "insurance" underwritten by an "insurer" other than the Trust, as the terms "policy", "insurance" and "insurer" are defined in the Oregon Insurance Code.
 - (e) The Trust created hereby shall be operated as a non-profit organization.
 - (f) No Member shall be responsible for any claim or judgment against any other Member or the Trust except to the extent of the assets of the loss fund, any insurance carried by the Trust and future contributions as provided herein.
 - (g) The Trustees shall continue to serve in office until all obligations of the Trust have been fully and finally discharged or adequately provided for. Thirty (30) days prior to the termination of the Trust, the Trustees shall notify each member of such termination.
10. **Withdrawal:** Any participating member may withdraw from participation under the Trust, provided that a withdrawal on any date other than a normal renewal date shall only be upon six (6) month's notice in writing to the trustees of such intention to withdraw. The withdrawing member shall remain liable, however, until all earned premiums or those which are past due are fully paid. There shall be no refund of premiums for an early withdrawal.
11. **Dispute Resolution Process:**
- (a) **Appeal to Board of Trustees:** In the event of any dispute arising from the operation of the Trust, the affected Member shall first appeal to the Trustees. In a matter relating to a claim under a Coverage Document, the appeal must be made within 30 days of the trust's proposed resolution of the disputed claim unless otherwise provided in the Coverage Document. To institute an appeal, the Member must give written notice to the Chair or Vice-Chair of the Trust providing a written summary of the dispute, detailing in reasonable detail the facts and circumstances of the issues and the requested remedies. At the next scheduled Trust meeting or at such other time as determined by the Chair, the Trustees will review the matter, using procedures as promulgated by the Trust. The Trustees's decision will be communicated to the Member within 90 days of the Trustees's hearing the appeal.
 - (b) **Mandatory Mediation:** If a dispute is not resolved by appeal to the Trust, it must be submitted to the Arbitration Services of Portland ("ASP"), or its successor, for mediation. The Trust or any Member may commence mediation by providing ASP and the other affected parties a written request for mediation, setting forth the subject of the dispute and the relief requested. The Trust and each affected Member shall cooperate with ASP and with one another in selecting a mediator from the ASP panel of neutrals and in scheduling the mediation proceedings. They agree that they will participate in the mediation in good faith and that they will share equally in the costs (the Trust will pay one half of the costs

and the other half will be paid by the affected Member, or if more than one Member, each shall contribute equally to that half or otherwise as they may agree). All of the offers, promises and conduct and statements, whether oral or written, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator or any ASP employees, are confidential and privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, providing that evidence that is otherwise admissible and discoverable will not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

- (c) **Mandatory Arbitration:** If the matter is not resolved through mediation, then it shall be submitted to ASP, or its successor, for final and binding arbitration pursuant to the rules for commercial arbitration for ASP. The Trust or a Member may initiate the arbitration with respect to the matter submitted to mediation by filing a written demand for arbitration at any time following the initial mediation session or at any time following 45 days from the date of filing the written request for mediation, whichever occurs first ("Earliest Initiation Date"). The mediation may continue after the commencement of arbitration if the parties agree. At no time prior to the Earliest Initiation Date will either side initiate an arbitration or litigation related to this Agreement, except as provided by the rules of commercial arbitration for ASP or by agreement of the parties. All applicable statutes of limitations and defenses based upon the passage of time shall be tolled until 15 days after the Earliest Initiation Date. The parties will take such action, if any is required, to effectuate such tolling. The dispute will be settled by a single arbitrator. The parties will cooperate with ASP and with one another in selecting an arbitrator and in scheduling arbitration proceedings. Arbitration will occur in Salem, Oregon unless the parties otherwise agree. The parties will be entitled to conduct discovery in accordance with the Federal Rules of Civil Procedure, subject to limitation by the arbitrator to secure the just and efficient resolution of the dispute. If the amount in controversy exceeds \$250,000, the arbitrator's decision shall include a statement specifying in reasonable detail the basis for and computation of the amount of the award, if any. In any arbitration arising out of or related to this Agreement, the arbitrator may not award any incidental, indirect or consequential damages, including damages for lost profits. The decision of the arbitrator will be final and binding. The party prevailing in the arbitration will also be entitled to recover any amount for his or her costs and attorney fees incurred in connection with the arbitration as determined by the arbitrator. Judgment upon the arbitration award may be entered in any court having jurisdiction.

- (d) **Coverage Document Dispute Resolution:** The dispute resolution provision in any Coverage Document shall apply for the matters to which such provisions are made applicable in the Coverage Document, and shall supersede the dispute resolution provisions of this Section 11. If a Coverage Document is silent, or the dispute resolution contained within it do not apply to a particular dispute, the dispute resolution provision of this Section 11 shall apply.

12. **Amendment:** The OSBA Board of Directors reserves the right to alter, amend or terminate this Trust and the terms under which it exists at any time by a memorandum in writing delivered to the Trustees, provided any such change or termination shall not prejudice the rights of any participant with respect to any accrued right or claim. In order to advise the OSBA Board of Directors on any proposed material change to the provisions of this Trust Agreement, the Trustees shall prepare an

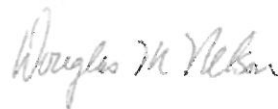
impact statement to determine the financial impact, if any, on Trust operations and fiscal stability of the proposed changes to the Trust Agreement. The Trustees will provide a thirty (30) day notice to members by sending a written copy of the impact statement to the participating members. If any member of the Trust, by virtue of this impact statement can clearly show that a change to the provisions in this Trust Agreement will directly result in a significant financial detriment (e.g. Deterioration of operating ratios or trust reserves) they may withdraw from the Trust with any vested equity.

13. **Severability:** If any provision of this Agreement is adjudicated to be invalid, unenforceable or unconstitutional, the remainder of the provisions not subject to such adjudication shall not be affected and shall continue in full force and effect.
14. **Joinders.** Any joinder to this Agreement executed by a member will be deemed to be that member's assent to the entirety of this Agreement, as if such had executed an original of this Agreement.
15. **Indemnification:** Trustees, officers and agents of the Trust shall use ordinary care and diligence in the exercise of their powers and in the performance of their duties. They shall not be liable for any mistakes 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 independent contractor selected with reasonable care, nor for loss incurred through investment of funds or failure to invest. No Trustee shall be liable for any action taken or omitted by any other Trustee. No Trustee shall be required to give a bond or other security to guarantee the faithful performance of their duties hereunder. The Trust shall defend, hold harmless and indemnify the individual Trustees, officers and agents of the Trust from any and all demands, claims, suits, actions and legal proceedings brought against the Trustees in their official capacity as agents of the Trust. The incident must have occurred while the Trustee, officer or agent of the Trust, was acting within the scope of official duties. This indemnification excludes criminal litigation and is limited to the amount of liability insurance coverage which is within the authority of the Trust to provide under state law.

IN WITNESS WHEREOF, by action of the OSBA Board of Directors, this Trust Agreement is approved and the OSBA Board of Directors by and through its authorized officers, has caused this Agreement to be executed in its name and on its behalf as of this 12th day of March, 2016.

OREGON SCHOOL BOARDS ASSOCIATION

By








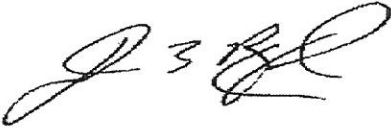

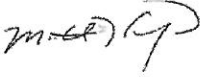
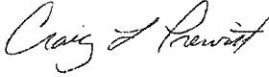
OSBA President
Doug Nelson

By



OSBA Secretary
Don Cruise

We, the undersigned Trustees, having been duly appointed to carry out the provisions of the above Trust Agreement, do hereby approve, affirm and accept such Trust.

Date:	March 21, 2016	
		_____ Phil Wentz, Chair
Date:	March 21, 2016	
		_____ Debbie Laszlo, Vice-Chair
Date:	March 21, 2016	
		_____ Adam Stewart, Trustee
Date:	March 21, 2016	
		_____ Brett Yancy, Trustee
Date:	March 21, 2016	
		_____ Sharla Andresen, Trustee
Date:	March 21, 2016	
		_____ John Rexford, Trustee
Date:	March 21, 2016	
		_____ Marie Knight, Trustee
Date:	March 21, 2016	
		_____ Mike Schofield, Trustee
Date:	March 21, 2016	
		_____ Craig Prewitt, Trustee