

## TRUST AGREEMENT

WHEREAS, by this Amended Agreement dated the 26 day of Sept., 2018, the Board of Directors of the (School District or Employer Unit), hereinafter designated as “Member LEAs”), and the representatives of the Employer group, (hereinafter designated as “Trustees”), entered into an agreement for the establishment and management of a school employees Benefit Trust styled “SOUTH CENTRAL TRUST”, to provide for the health, dental, vision and other such benefits for employees of the respective participants as the participants may elect to provide.

### ARTICLE I: DEFINITIONS

It is mutually understood and agreed by the and between the parties hereto that the following definitions apply to this Trust Agreement.

- 1.1 “Trust Agreement” means and refers to this Amended Agreement and any attachments, modifications or amendments thereto.
- 1.2 “Member Local Education Agencies or Member LEAs” means and refers to the member school districts or other employer units who are members of the Trust.
- 1.3 “Trustees” means and refers to the Trustees and their successors provided for in this Trust Agreement.
- 1.4 “Employees” means and refers to all benefit-eligible persons who have been employed by the Member LEAs.
- 1.5 “Administrative Agent” refers to the entity designated by the Trustees to administer the Plan.
- 1.6 “Trust Fund” means and refers to the Trust Fund created by and for the Trust and shall generally mean the monies, contracts or items of value, tangible or intangible, received and held by the Trustees for the uses and purposes set forth herein.
- 1.7 “Contributions” means the premium contributions made by the Member LEAs to the Trust Fund.
- 1.8 “Self-Insured Plan” means the insurance programs established by the Member LEAs.

### Article II: NAME

- 2.1 The Trust shall be known as the “SOUTH CENTRAL TRUST”.

## PURPOSE

2.2 The purpose of this Trust is to create an entity through which various types of insurance coverage and administrative services can be secured and purchased on behalf of all Member LEAs and to enable those Member LEAs to self-insure together through the same funding vehicle, thereby reducing the burden of costs through administrative efficiency, shared information, economies of scale and joint bargaining. In accordance with Pennsylvania statutes; specifically 53 Pa.C.S.A. §483, relating to cooperation among municipalities, 24 P.S. §5-521 relating to authority for school districts to act jointly with other political subdivisions and 42 Pa.C.S.A. §8564, relating to self-insurance by local agencies and joint action by local agencies, political subdivisions such as schools may (i) join together and enter into any agreement or jointly contract for the development of a group risk management program; and (ii) enter into agreements for the pooling of risk.

## ARTICLE III: MEMBERSHIP

3.1 All Members shall be such Pennsylvania public school districts, Pennsylvania school employers or other education agency (collectively, "employer unit") that has been admitted to membership in the Trust as approved by the Board of Trustees under the terms and conditions established by the Trust. Continued membership shall be regulated according to this Trust Agreement and any policies or By-Laws adopted or amended by the Board of Trustees.

3.2 A Pennsylvania School Employer desirous of joining the Trust shall signify its intention by furnishing to the Secretary of the Trustees or his designee a certified copy of the resolution of the governing body of such Employer indicating its intention to do so. If the Trustees, by an affirmative vote of two-thirds (2/3) of the membership, agree to accept the applicant for membership, then the applicant shall become a member of the Trust on an effective date agreed upon by both the applicant and the Trustees.

3.3 The member districts or other employer units who are members of the Trust shall be designated as "Member LEAs" in this Agreement. Where applicable, the term "Member LEA" may apply in the aggregate to all school districts or other employer units in the Risk Sharing Plan.

3.4 Member LEAs which are health plan participants shall be entitled to appoint no more than four (4) Trustees to the Trust which may consist of one or all of the following (at Employers discretion) of: (1) Trustees to represent the professional employees; (2) Trustees to represent the school board; (3) Trustees to represent the administrative staff, and, (4) Trustees to represent the support staff. Such Trustees may vote on all issues relating to the Trust. Notwithstanding the foregoing, each Member LEA shall have equal voting power. No more than fifty percent (50%)

of the Trustees appointed by a Member LEA shall be from categories of employees which may be represented by collective bargaining units.

3.4.1 Member LEAs which have been accepted as members of the Trust but which are not health plan participants shall also be entitled to appoint no more than four (4) Trustees to the Trust which may consist of one or all of the following (at Member LEA discretion) of: (1) Trustees to represent the professional employees; (2) Trustees to represent the school board; (3) Trustees to represent the administrative staff; and, (4) Trustees to represent the support staff. Such Trustees may only vote on issues directly relevant to benefit plans which have been selected by the Employer. No more than fifty percent (50%) of the Trustees appointed by the Member LEA shall be from categories of employees which may be represented by collective bargaining units.

3.5 A Member Employer shall appoint no more than four (4) Trustees at any one time. Trustees who are unable to attend a Board Meeting may vote on a specific issue by proxy, either carried by another Trustee appointed by the same Member LEA, or delivered to the Secretary of the Trust in advance of the Board Meeting. If the proxy is carried by another Trustee, it shall be voted only as specified by the absent Trustee. If there is a vacancy in one (1) or more of the four (4) Trustees appointed by a Member LEA, said Member LEA may designate another Trustee to vote a proxy on any issue. The intention of this section is to ensure that each Member LEA shall have the ability to exercise all of the votes it is entitled to at any time.

#### ARTICLE IV: ADMINISTRATION OF THE PLAN

4.1 To carry out the purposes of the Trust, the Member LEAs shall adopt schedules of benefits and regulations to provide the health and welfare, dental and vision benefits and other such benefit plans for employees of the respective Member LEAs.

4.2 The Trustees, having assumed the general obligation and responsibility for carrying into effect the Plan, may designate any person or corporation as their agent to act on their behalf in the administration of the Plan.

4.3 The Trustees may designate and appoint one or more agents for the administration of the Plan, hereinafter referred to as an Administrative Agent or Agents.

4.4 The Trustees, by an affirmative vote of two-thirds (2/3) of the membership may remove any Administrative Agent at any time without cause, subject to the terms of the contract with the Administrative Agent.

4.5 The Trustees shall require any Administrative Agent to keep accurate and detailed records of its administration of the Plan, which records shall be open for examination during regular business hours by any person so authorized in writing by the Member LEAs or the Trustees. Any Administrative Agent will, at such times as determined by the Trustees, file with the Trustees a summary of its administration since the last statement, which shall include all information as set forth in the administration agreement between the Trustees and any Administrative Agent.

4.6 The Trustees may require any Administrative Agent to procure a commercial blanket fidelity bond in such an amount as deemed appropriate from time to time by the Trustees for the assurance of the faithful performance and proper handling of the funds by any Administrative Agent and its employees, and at least in any amount as may be required by law, the cost thereof to be borne by any Administrative Agent.

4.7 The Trustees shall, at a minimum, meet annually to review the financial status of the Trust and to establish the next annual premium contribution by Member LEAs to the Trust.

#### ARTICLE V: CONTRIBUTIONS

5.1 Upon written notice from the Trustees, Member LEAs shall pay to the Trustees within the time specified in such notice, requested premium contributions. Premium contributions shall be calculated on actuarial principles in such amount as to be adequate to cover the projected annual claims costs of the Plan plus reasonable reserves and all operating costs, all of which are referred to hereinafter as "contributions".

5.2 Member LEAs shall be responsible for the collection of employee contributions, as applicable.

5.3 Each Member LEA shall be responsible for providing sufficient contributions so that its contributions are at least equal to the costs set forth in Paragraph 5.1 above for each of the Member LEA employees times the number of the Member LEA employees for each plan and month for which such Member LEA participates.

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

5.5 All contributions so received, together with the income there from and any increment thereon shall be collectively referred to and held as the "Trust Fund" which shall be held, invested, reinvested, and administered by the Trustees pursuant to the terms of this Agreement without distinction between principal and income and without liability for the payment of interest thereon. Contribution, investment proceeds and expenditures for each Member LEA will

be separately accounted for and reported to said Member LEA. Expenditures shall be estimated quarterly and reconciled and reported annually.

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

5.7 The Trustees shall be responsible for the adoption of the rate of contribution for each Member LEA, as set forth in section 5.1 above.

5.8 The Plan, this Trust Agreement, and Trust Fund are intended to qualify for exemption from Federal Income taxation under Section 115 or other similar provision of the Internal Revenue Code.

5.9 The Trustees may operate some plans, on a cost reimbursement basis for Member LEAs who choose to do so. For example, medical, dental and vision benefit plans, group life insurance and stop loss insurance may be operated on a cost reimbursement basis. With respect to any such Plan, Member LEAs shall be responsible for placing sufficient contributions on deposit with the trustees to pay for claims and administrative costs in advance, and shall replenish those accounts as needed. The Trustees shall establish a budgeting rate for the said Member Employers for such plan, but the Member LEAs would be responsible for all costs. The benefits provided through the Trust are inclusive of accident benefits and health benefits such as health insurance and medical savings account balances, as governed by Section 125 of the Internal Revenue Code and other benefits as permitted by law.

5.10. Member LEAs shall pay all administrative, direct, and indirect costs in advance and prior to the payment date as invoiced by the Trust and any Administrative Agent of the Plan. In the event an Employer shall fail to pay the proceeds in advance, Trust payment of claims for that Member LEA will cease, until payment in full on the outstanding balance is made current including interest which will accrue from the date of the initial invoice from the Trust at commercial interest rates then prevailing, and on otherwise commercially reasonable terms.

5.11 In order to assure that sufficient funds are available at all times for payment of all just claims, the Trustees shall establish an appropriate reserve fund for each Member LEA, the amount of which fund shall be calculated through standard actuarial principals and agreed upon by mutual consent. The Trustees may vary the standards by which they calculate the amount of the reserve funds, from time to time, as circumstances warrant. If at any time a Member LEA reserve fund falls below the amount which the Trustees and Member LEAs deem to be necessary and prudent for the proper management of the Plan, the Trust shall promptly advise the Employer, which shall take appropriate action to provide sufficient funds to increase the amount of the reserve funds to the appropriate level. Failure to provide sufficient funds in a timely manner may endanger the claims payment process. If the level of the reserve fund established for a particular Member LEA significantly exceeds the level which the Trustees and Member

LEAs have established for the prudent management of the plan, any excess funds in the reserve shall be refunded by the Trustees to that particular Member LEA through the application of a premium holiday or other acceptable means.

## ARTICLE VI: FUNDING POLICIES

6.1 The Trustees shall, from time to time, establish schedules by which monthly contributions for funding the benefits as provided by the Plans shall be made, which schedule shall be known as the funding policy, and which will be adhered to by the Member LEAs.

6.2 It is the intention of the Member LEAs that the Trustees shall be guided by the funding policies in the investment and reinvestment of contributions and income from the Trust Fund.

6.3 The Trustees, after consultation with the Member LEAs, and after consideration of the impact upon contributions pursuant to the Plan, may make such changes in the funding policy as may seem best from time to time and shall communicate such changes in writing to the Member LEAs.

6.4 The Member LEAs, pursuant to the Plan, in the establishment and conduct of the funding policy consistent with the purposes of the Plan and the requirements of applicable law, hereby direct the Trustees to exercise their discretion in making investments of the Trust funds so as to provide sufficient cash assets in an amount determined by the Trustees under the funding policy then in effect to provide sufficient liquidity to promptly and economically administer the Plan.

6.5 In formal communications with the Member LEAs, the Trustees may rely upon written communications provided to them by the Member LEA Superintendent, Chief Financial Officer, or other designated representative as fully authorized by the Member LEA.

6.6 The Trustees shall maintain two separate and financially independent funding policies for Member LEAs participating in self-insured medical plans, a Non-Risk Sharing Plan and a Risk Sharing Plan, as described as follows:

6.6.1 Non-Risk Sharing Plan: Each Member LEA participating in the Non-Risk Sharing Plan will bear the full risk of the self-insured medical plan and will exclusively fund it. In this plan, the finances, including contributions, claim payments, interests and reserves, of each Employer will be accounted for separately, and all excess or shortfall funding of the Member Employer plan will be exclusively that of the individual Member LEA.

6.6.2 Risk Sharing Plan: Each Member LEA participating in the Risk Sharing Plan will be a member of a self-insured risk pool. Initial participation by a Member LEA in the Risk Sharing Plan will commit the Member LEA to staying in the Risk Sharing plan for a minimum of three years from the date the Member LEA joined the Plan.

6.6.2.1 Transfer of a Member LEA between the Risk Sharing Plan and Non-Risk Sharing Plan (and only after the initial three-year minimum in the case of transfer from the Risk Sharing Plan to the Non-Risk Sharing Plan), will be subject to the policies established for each Plan.

6.6.2.2 Any disbursements or payments of deficits upon withdrawal and termination from the Risk Sharing Plan will be determined by Member LEAs in accordance with existing policies related to excess or deficit funds.

## ARTICLE VII: DISBURSEMENTS FROM TRUST FUND

7.1 No part of the Trust Fund, or the income generated by the Trust Fund, shall be used for or diverted to purposes other than for the exclusive benefit of the Member LEA, either through fulfillment of the legal obligations of the Member LEAs to their Employees, or payment of said Member LEA's legitimate share of the expenses of administration of the Trust. Furthermore, Trust funds significantly in excess of appropriate reserve fund amounts shall be reimbursed to the Member LEAs, in accordance with paragraph 5.11 above.

7.2 From contributions received from the Member LEAs, the Trustees shall deposit in a claims checking account such funds as will enable any Administrative Agent to pay benefits in conformity to the Plan.

7.3 The funds so disbursed by any Administrative Agent and the accounts kept in connection therewith shall be available at all times during regular business hours for inspection by the Trustees or their representatives and any Administrative Agent shall periodically render an accounting of all funds disbursed.

7.4 The Trustees may rely on the accuracy of invoices submitted by any Administrative Agent and shall pay such invoices with reasonable promptness, following receipt.

7.5 The expenses incurred by the Trustees in the performance of their duties, including fees for accounting, actuarial and legal services, professional management and consulting services, as well as the services of any Administrative Agent, and all other proper charges and disbursements of the Trustees, including but not limited to investigation fees and charges for the purchase of liability protection of the individual Trustees and fidelity bonds in connection with carrying out the function of the Trust, shall be paid out of the Trust Funds under the control of the Trustees, unless paid directly by the Member LEAs, and the Trustees shall render an accounting of those expenses at such intervals as the Member LEAs may require.

7.6 All such expenses of the Trust shall be borne by each Member LEA in the Trust proportionate to the number of its employees benefited by the Trust, except to the extent that Trustees identify expenses are attributable to some Member LEAs, but not to others.

## ARTICLE VIII: POWERS OF THE TRUSTEES

8.1 The Trustees are empowered in their discretion to invest funds of the trust in any sort of investments permitted by the laws of the Commonwealth of Pennsylvania for the investment of trust funds and the Trustees may change the form of investments in any trust assets without prior approval of the Employers. The Trustees may invest and reinvest the funds held by them without distinction between principal and income, subject to the liquidity of the Trust in order that the benefits provided thereunder shall at all times be promptly paid.

8.2 To constitute a quorum at any regular or special meeting of the Trustees, there must be present in person, or by proxy, more than one-half (1/2) of the Trustees.

8.3 Any action taken by two-thirds (2/3) majority vote of the Trustees at a meeting thereof or through a vote taken by electronic mail, after ten (10) calendar days written notice of such meeting, shall be deemed the act of all of the Trustees in administering the Trust. Trustees are authorized and empowered to perform any of the following enumerated acts and functions, provided they are consistent with the law or By-Laws;

- a.) To sell at public or private sale, for cash or upon credit, or otherwise dispose of any property belonging to the Trust;
- b.) To adjust, settle, contest, compromise, litigate or arbitrate any claims, debt, or damages due or owing to or from the Trust Funds;
- c.) To exercise any right, including the right to vote shares, incident to any securities or other property held by them;
- d.) To borrow money upon such terms and conditions as may be deemed advisable to carry out the purposes of the Trust fund and to give such assurances of repayment as may be required by the lender or lenders thereof and to pledge securities or other property for the repayment of such loans;
- e.) To approve investing all or part of the Trust fund in interest-bearing deposits with a bank or similar financial institution, including but not limited to investments in time deposits, savings deposits, certificates of deposit, or such securities as are permitted for the investment of trust funds under the laws of the Commonwealth of Pennsylvania;
- f.) To hold any investment in bearer form or to register any investment held in the Trust or in the name of the Trust or in the name of a nominee;



- g.) To employ suitable investment advisers, attorneys agents, accountants and professional managers or consultants, and to pay their reasonable expenses and compensation;
- h.) To hold all or any part of the Trust Fund without associated investments;
- i.) To exercise generally any of the powers which an individual owner might exercise in connection with property held by the Trust Fund and to take any other actions which the Trustees may deem necessary or proper to carry out the powers of the Trustees hereinbefore granted or otherwise in the best interest of the Trust.

8.4 The Trustees may incorporate the Trust as a Pennsylvania Nonprofit corporation, and take any actions necessary to confirm and maintain its tax-exempt status.

### ARTICLE IX: DUTIES OF TRUSTEES

9.1 The Trustees shall discharge their duties under this Agreement as fiduciaries, solely for the benefit of the Member LEAs and their employees in an efficient and economical manner.

9.2 Trustees shall oversee the performance of any Administrative Agent, the acceptance of contributions to the Trust Fund, shall manage Trust property and investments, and shall oversee the distribution of funds in conformity to law and this Agreement.

9.3 Although Trustees administer the Trust they shall at all times do so for the sole benefit of the Member LEAs and their Employees.

9.4 The Trustees shall exercise their functions with the care, skill, judgement and diligence under the circumstances prevailing that a reasonable prudent man action in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims.

9.5 The Trustees may consult with counsel of their selection and the Trustees shall not be deemed imprudent by reason of their acting in conformity with the opinion of legal counsel. In the event a Member LEA becomes involved in a legal proceeding involving its participation in the Trust, it shall give reasonable notice to the Trust of any legal matter involving this Trust or any Trust Document.

9.6 To the extent permitted by law, the Member LEAs agree to indemnify and hold harmless the Trustees from and against any liability that the Trustees may incur in the administration of the Trust Fund, including legal expenses, unless such liability arises from the Trustees willful misconduct, reckless or intentional conduct or willful breach of the provisions of this Agreement.

9.7 The Member LEAs agree that if any bond or security for faithful performance of the duties of the Trustees should be required, the cost thereof shall be borne by the Trust and not by the Trustees individually.

9.8 As they may deem appropriate, the Trustees shall be entitled to require of the Member LEAs, any Administrative Agent, or any other person engaged in the administration of the Plan or the investment of the Trust Fund, or having any interest in the Plan, such information as shall permit the Trustees to perform their duties under any applicable federal or state law or regulation, or in the proper exercise of the powers and duties of the Trustees under this Agreement.

9.9 The Trustees shall make regular financial reports to each Member LEA, and to Trustees, which shall include the status of any reserve fund attributable to such Member LEA, and shall generally be responsible to requests of Member LEAs for financial information.

#### ARTICLE X: SUCCESSION OF TRUSTEES

10.1 The Trustees and their successors in trust may be removed at any time, with or without cause, by the Member LEAs, as an action of the Member LEA Governing Board. Any Trustee hereunder may resign at any time by giving written notice to the Member LEA to that effect.

10.2 Upon resignation, or in the event of removal or disqualification of a Trustee, the Member LEA of such Trustee, as an action of the Member LEA Governing Board, may appoint a successor Trustee, or may at any time designate an alternate Trustee who shall serve in the absence of a removed or resigned Trustee until such time as the Member LEA appoints a successor Trustee.

10.3 Successor Trustee shall, upon acceptance of appointment, have the same rights, title, powers, duties, discretions and immunities as an original trustee appointed hereunder, and shall not be liable or responsible for any acts or defaults of their predecessor.

10.4 All Acceptances of Trust and Statement of No Conflict of Interest executed by the Trustees shall be kept on file with the Secretary of the Trust, or a designee.

#### ARTICLE XI: LIMITATION ON TRUSTEES

11.1 The Trustees, having appointed any Administrative Agent to administer the Plan, are not directly responsible for the day-to-day administration of the Plan except for the determination of a claim appeals from the decision of any Administrative Agent.

11.2 The Trustees are not responsible for the adequacy of contributions by Member LEAs to the Trust Fund to discharge any liabilities or expenses of administration of the Plan.

11.3 The Trustees may rely conclusively upon any written notice, instruction, direction or other communication of any Administrative Agent with respect to administration of the Plan.

11.4 All major actions, to include amendment, withdrawal and termination by an Employer, required by any provision of this Agreement to be taken by a Member LEA shall be evidenced

by a resolution of the Board of Directors of the Member LEA, a copy of which has been certified to the Trustees by the Secretary of the Board under its seal and the Trustees shall be fully protected in relying upon any action of the Member LEA so certified.

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

11.6 The Trustees may accept a certificate signed by an officer of a Member LEA as proof of any fact or matter that the Trustees deem necessary or desirable to have established in the administration of the Trust fund (unless other evidence of such fact or matter is known) and the Trustees shall be fully protected in relying upon the statements in such certificate.

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

## ARTICLE XII: ACCOUNTS AND RECORDS

12.1 The Trustees shall keep accurate and detailed accounts of all receipts and disbursements, investment, and all other transactions within their handling and all such accounts and other records and correspondence relating thereto shall be open to inspection and audit at all reasonable times by any Administrative Agent or any person or persons authorized by a Member LEA.

12.2 At the earliest practical date following the close of any fiscal year of the Trust fund, the Trustees shall file with the Member LEAs a written annual audit setting forth a summary of all receipts, disbursements, investment, and other transactions effected by them during the fiscal year, conducted by an independent Certified Public Accountant, and the Member LEAs may require the Trustees to furnish to them such interim or partial account records as may be considered by the Member LEAs to be necessary for the proper oversight of the transaction of the Trustees. Copies of the audit and generalized statements of the accounting and reports shall be delivered to each Trustee after each audit and at other times when determined as necessary.

12.3 Upon the expiration of sixty (60) days after the filing of an account for a fiscal year as provided in Section 12.2 above, and after thirty (30) days in the case of all other accounts, if no Member LEA has filed a written exception or objection to such account, then the Trustees shall be forever released, remised and discharged from all liability and accountability with respect to the propriety of such account or the transactions shown therein.

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

12.5 Notwithstanding any other provision of this Article, the Trustees shall have the right to a judicial settlement of their accounts.

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

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

### ARTICLE XIII: EXECUTIVE COMMITTEE OF THE TRUSTEES

13.1 The Trustees may appoint an Executive Committee to serve in the periods between the regular or special meeting, for the purpose of continuous oversight and supervision of the affairs of the Trust. All those Trustees appointed by Member LEAs which are health plan participants in the Trust and which serve in a managerial capacity such as a business official comparable to a business administrator, business manager, treasurer, director of finance, school business executive or human resources director, are eligible to be members of the Executive Committee.

13.2 The Executive Committee so appointed shall have such general powers as are herein granted by the Member LEAs to the Trustees and the same may be exercised by two-thirds (2/3) vote by the Executive Committee, subject to ratification of their actions by the Trustees at their next succeeding meeting.

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

13.4 The Trustees may enlarge, contract or abolish the Executive Committee and its function at any time.

13.5 The Executive Committee shall keep accurate and careful records of its proceedings and hold the same open to inspection by the Trustees and Member LEA.

### ARTICLE XIV: AMENDMENT OF AGREEMENT

14.1 By affirmative vote of at least two-thirds (2/3) of the Boards of Directors of the Member LEAs, this agreement may be amended in whole or in part, by an instrument in writing duly executed on behalf of the respective Member LEAs and copies thereof provided the Trustees. No

amendments shall be approved which would disqualify the Trust for exemption from federal income taxation under Section 115 of The Internal Revenue Code.

## ARTICLE XV: WITHDRAWAL AND TERMINATION

15.1 Any Member LEA may withdraw from the Trust at the end of any plan or Fiscal Year by giving written notice of such decision to withdraw to the President of the Trust. Such withdrawal shall become effective on the next succeeding carrier contract renewal date that is at least one hundred eighty (180) days after the notice of withdrawal, except as restricted under Section 6.6.2, pertaining to withdrawal from the Risk Sharing Plan. Any claim, line of credit balance, and any pertinent administrative and operating costs attributable to a withdrawing Member LEA, under any Plan administered by the Trust which are incurred prior to the date of withdrawal, and which are known or unknown as of the date of closing and settlement of accounts, shall be paid by the withdrawing Member LEA at or following withdrawal, as withdrawal does not relieve the Member LEA of any responsibility for payment of funding or any other charges or expenses under this Agreement.

- a.) Withdrawal from Cost Reimbursement Plans. Any Plan funded by a Member LEA on a cost reimbursement basis shall not be closed until all claims incurred through the withdrawal date and all administrative, operating and line of credit costs are satisfied by the Member LEA.
- b.) Withdrawal from Non-Risk Sharing Plan. If a withdrawing Member LEA has a negative balance (that is, claims paid and incurred, plus line of credit balance, and administrative and operating costs exceed contributions) with the Trust as of the date of withdrawal under any Plan administered by the Trust, it shall immediately pay the Trust the amounts committed to or owed on the date of withdrawal, or, when notified of such amount being due. With the approval of the Trustees, it may agree to repay the amount owed at interest rates then prevailing, and on otherwise commercially reasonable terms. For purposes of determining a Member LEA's negative balance on the date of withdrawal, a Member LEA's balance shall be measured for three (3) years (or less if a Member LEA has been a member of the Trust for less than three (3) years) immediately preceding the date of the withdrawal, taking into account its contributions, claim experience, and administrative and operating costs. Any positive balance in the Trust fund credited to the account of the withdrawing Member LEA as a result of this calculation shall be paid to the withdrawing Member LEA as soon as reasonably possible, considering claims incurred but not reported paid. The Trust shall provide to the withdrawing Member LEA interim settlements in advance of final settlement, at such time as reasonable conclusions can be reached concerning incurred but not reported or paid claims. Regardless of its own balance position a withdrawing Member LEA shall recognize and pay the Trust for any portion of any line of credit

usage attributable to the account of said withdrawing Member LEA and outstanding at the time of its withdrawal.

- c.) Withdrawal from Risk Sharing Plan. A withdrawing Member LEA's rights and obligation upon withdrawal (as restricted by section 6.6.2) will be governed by the Policies developed and approved by two-thirds (2/3) of the Board of those Member LEAs participating in the Risk Sharing Plan.

15.2 This agreement and the Trust may be terminated at any time by the unanimous agreement of the Member LEAs, that is, the affirmative votes of the Boards of all the Member LEAs. Any claim, line of credit balance, and any pertinent administrative and operating costs, under any Plan administered by the Trust which is incurred prior to the date of the withdrawal, and which are known or unknown as of the date of closing and settlement of accounts, shall be paid by the withdrawing Member LEA following termination.

- a.) Cost Reimbursement Plans. Any plan funded by a Member LEA on a cost reimbursement basis shall be closed as provided by paragraphs 15.1 and 15.1a, above.
- b.) Termination of Risk Sharing and Non-Risk Sharing Plans. In the event of termination of the agreement and of the Trust by all of the Member LEAs, all assets of the Trust shall be distributed to then terminating Member LEAs (segregated by Plan assets). Any disbursements or payment of deficits upon termination from the Risk Sharing Plan will be determined by Member LEAs (segregated by Plan assets). Any disbursements or payment of deficits upon termination from the Risk Sharing Plan will be determined by the Member LEAs in accordance with existing Policies related to excess or deficit funds. Each Member LEA of the Non-Risk Sharing Plan shall receive the balance in its account after payment of all claims, line of credit balance, administrative, operating and liquidating expenses of the Trust and of the Plan have been paid, and at such time as no outstanding claim, suit or other charge shall remain unsettled or un-provided for. The Trustees may make interim settlement payments to the members pending final resolution of all claims and expenses. If any Member LEA has a negative balance after all claims, line of credit balance, and administrative, operating and liquidating expenses are taken into account, then such an Employer of the Trust shall reimburse the Trust in the amount of such negative balance.

## ARTICLE XVI: MISCELLANEOUS PROVISIONS

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

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

16.3 In the event of dissolution, merger or consolidation of any of the Member LEAs, the successor or successors thereof may continue their participation in the Plan subject to the provisions of this Agreement with such alteration of operation as may be deemed best for the orderly, efficient and economical functioning of the Plan for the benefit of all the Member LEAs.

16.4 Upon dissolution, merge or consolidation of any of the Member LEAs, the successor or successors thereof, if it elects to adopt and continue to participate in the Trust, shall furnish to the Trustees an instrument duly authorized and executed, acknowledging such election and expressing the intention to abide by the terms of this Agreement in all respects.

16.5 Subject to the provisions of applicable federal law this Agreement, as amended, shall be administered, construed and enforced according to the laws of the Commonwealth of Pennsylvania.

16.6 The fiscal year of the Trust shall commence on July 1 of each year and conclude on June 30 of each succeeding year. The Trustees shall have the power to change the fiscal year of this Trust, as they deem appropriate from time to time, without formal amendment of this Trust Agreement.

*IN WITNESS WHEREOF*, the South Central Trust Member LEAs have caused this Agreement to be executed by an appropriate officer of each Member LEA on behalf of its school district or employer unit and the corporate seal thereof to be affixed and attested by the Secretary of each school district or employer unit, and each of the Trustees has executed this Agreement on the day and date set opposite their respective executions.

ATTEST:

South Central Trust:

Date: September 26, 2018

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September 26, 2018

ATTEST:

USI Insurance Services:

Date: \_\_\_\_\_

Wm. J. [Signature]