RESOLUTION NO. 439

A RESOLUTION OF THE WOODINVILLE CITY COUNCIL ADOPTING THE INTERLOCAL AGREEMENT WITH THE ASSOCIATION OF WASHINGTON EMPLOYEE BENEFIT TRUST FOR A HEALTH CARE PROGRAM.

WHEREAS, the Association of Washington Cities Employee Benefit Trust (the "Trust") is an entity to which contributions by cities and towns and non-city entities organized and existing under the Constitution or laws of the State of Washington and who are members of the Trust ("Participating Cities and Towns," and "Participating Non-City Entities") and their employees can be paid and through which the Board of Trustees of the Trust ("Trustees") provides one or more insured health and welfare benefit plans or programs to Participating Cities and Towns' and Non-City Entities' employees, their dependents and other beneficiaries ("Beneficiaries"), on whose behalf the contributions were paid; and

WHEREAS, the Trust qualifies as a voluntary employee beneficiary association within the meaning of Section 501(c)(9) of the Internal Revenue Code, providing for the payment of life, sick, accident or other benefits to Beneficiaries; and

WHEREAS, it appears economically feasible and practical for the parties to do so; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under chapter 39.34 RCW, jointly self-insure health benefit plans and programs, and/or jointly hire risk management services for such plans or programs by any one or more of certain specified methods; and

WHEREAS, the Association of Washington Cities Employee Benefit Trust Interlocal Agreement (the "Interlocal Agreement") attached hereto creates a joint self-insured health and welfare benefit program (the "Health Care Program") to be administered by the Trustees for the purposes of providing self-insured health benefits to Beneficiaries; and

WHEREAS, WAC 200-110-030 requires every local government entity participating in a joint self-insurance health and welfare benefit program to adopt such program by resolution; and

WHEREAS, Chapter 48.62 requires Health Care Program assets to be managed consistent with existing authority over use of municipal funds in RCW 35.39.030. The Trust will manage Health Care Program reserves in compliance with Chapter 48.62 RCW; RCW 35.39.030, and the Health Care Program Investment Policy; and

WHEREAS, all premium contributions for use in the Health Care Program are deposited into a designated account within the Trust, the Health Care Program Account (the "HCP Account"), and the HCP Account represents a pool of funds that is independent of all other Trust or AWC funds; and

WHEREAS, the Trust intends to manage the HCP Account assets in compliance with federal and state laws and the Interlocal Agreement; and

WHEREAS, the City of Woodinville believes it is in the best interest of the Health Care Program to allow the Trust to manage the HCP Account;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF WOODINVILLE, WASHINGTON, HEREBY RESOLVES AS FOLLOWS:

Section 1. The City Manager is hereby authorized and directed to execute on behalf of the City an Interlocal Agreement substantially similar to that attached as Exhibit A, which by this reference is incorporated into this Resolution, as though set forth herein; and that by adopting such Agreement, the City of Woodinville acknowledges that it shall be subject to assessments as required by the Health Care Program.

RESOLVED this 22nd day of October 2013.

Bernard W. Talmas

Bernard W. Talmas, Mayor

ATTEST/AUTHENTICATED:

Jennifer L Kuhn

Jennifer Kuhn, City Clerk

ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST
HEALTH CARE PROGRAM
INTERLOCAL AGREEMENT

This Agreement is made and entered into in the State of Washington by and among the Association of Washington Cities Employee Benefit Trust (the "Trust") and cities and towns, and non-city entities organized and existing under the Constitution or laws of the State of Washington and who are members of the Trust ("Participating Cities and Towns," or "Participating Non-City Entities"), all of whom are signatories to this Agreement.

RECITALS

WHEREAS, the Trust is an entity to which contributions by Participating Cities and Towns and Non-City Entities (defined below) and Participating Employees (defined below) are paid and through which the Board of Trustees provides one or more insured health and welfare benefit plans or programs to Participating Employees, their covered dependents and other beneficiaries ("Beneficiaries"), on whose behalf the contributions were paid; and

WHEREAS, the Trust qualifies as a voluntary employee beneficiary association within the meaning of Section 501(c)(9) of the Internal Revenue Code ("VEBA"), providing for the payment of life, sick, accident or other benefits to Beneficiaries; and

WHEREAS, the Trust and the Participating Cities and Towns have determined that it is in the best interest of Participating Cities and Towns to jointly self-insure certain health benefit plans and programs for Beneficiaries through a designated account within the Trust, while at the same time having the Trust continue as the entity to which health and welfare benefit plan or program contributions are paid and through which insured health and welfare benefit plans and programs are provided to Beneficiaries; and

WHEREAS, it appears economically feasible and practical for the parties to this Agreement (defined below) to do so; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, jointly self-insure health benefit plans and programs, and/or jointly hire risk management services for such plans or programs by any one or more of certain specified methods; and

WHEREAS, each local government entity that is a signatory hereto, as required by WAC 200-110-030, acts upon the authority of a resolution adopting this Agreement and the Health Care Program (defined below) created herein;

NOW, THEREFORE, for and in consideration of all of the mutual benefits, covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

The following are definitions of terms used in the Agreement. Unless indicated otherwise, other terms are defined where they are first used. Defined terms are capitalized when used in the defined context.

1.1 **Agreement** means this Interlocal Agreement entered into under the authority of Chapter 39.34 RCW and as required by RCW 48.62.031(2) between the Trust and Participating Employers.

1.2 **Association of Washington Cities** or **AWC** means the Association of Washington Cities, a not-for-profit membership association established pursuant to the laws of the state of Washington for the purpose of providing various services to and on behalf of its member cities.

1.3 **Association of Washington Cities Employee Benefit Trust** or the **Trust** means the trust and all property and money held by such entity, including all contract rights and records, established for the sole purpose of providing life, sick accident or other health and welfare benefits to Participating Employees, their covered dependents and other beneficiaries, and which is approved by the Internal Revenue Service as a VEBA.

1.4 **Employee Benefits Advisory Committee** or **EBAC** means the committee defined in Article V of the Trust Agreement that may be delegated responsibility by the Board of Trustees, including but not limited to: overseeing the operations of the Health Care Program, analyzing and developing annual premium levels and benefit coverage changes for recommendation to the Board of Trustees and performing other duties necessary to ensure that the needs of Participating Employers are met and the long-term financial health of the Health Care Program is maintained.

1.5 **Health Care Program** means the joint self-insurance program offering self-insured health benefit options through the HCP Account.

1.6 **HCP Account** means a designated account within the Trust and created by this Agreement, the Trust Agreement and Trust Health Care Program policies all under the authority of Chapter 48.62 RCW to provide self-insured health benefits to Participating Employees, their covered dependents and other beneficiaries and further described in Article 6.

1.7 **Non-City Entity** means any public agency, public corporation, intergovernmental agency or political subdivision, within the state of Washington that meets the requirements of Article IX, Section 1(c)(ii) and (iii) of the Trust Agreement for participation in the Health Care Program.

1.8 **Participating City** means any city or town within the state of Washington that meets the requirements of Article IX, Section 1(a) or Section 1(b) of the Trust Agreement.

1.9 **Participating Employee** means any individual employed by a Participating Employer and for whom the Participating Employer makes contributions to the Trust, and any individual who may have been so employed but is subsequently laid off, terminated, or retired.

1.10 **Participating Employer** means a Participating City or Non-City Entity that is also a party to this Agreement.

1.11 **Resolution** means the resolution adopted by each Participating City or Non-City Entity that authorizes the Health Care Program.

1.12 **State Risk Manager** or **Risk Manager** means the risk manager of the Risk Management Division within the Department of Enterprise Services.

1.13 **Stop Loss Insurance** or **Reinsurance** means a promise by an insurance company that it will cover losses of the Health Care Program over and above an agreed-upon individual or aggregated amount, which definition shall be modified by any changes to the definition of stop loss insurance in WAC 200-110-020.

1.14 **Third-Party Administrator** means the independent association, agency, entity or enterprise which, through a contractual agreement, provides one or more of the following ongoing services to the Health Care Program: pool management or administration services, claims administration services, risk management services, or services for the design, implementation, or termination of an individual or joint self-insurance program.

1.15 **Trust Agreement** means the Trust Agreement Governing the Trust amended and restated July 1, 2013, and any subsequent amendments thereto.

1.16 **Trustees** or **Board of Trustees** means the following individuals and their successors, who together, govern the Trust and the Health Care Program:

1.16.1 the AWC President and the AWC Vice President;

1.16.2 the EBAC Chair and the EBAC Vice Chair; and

1.16.3 an individual elected pursuant to the procedures in Article III, Section 5 of the Trust Agreement to serve as the trustee from one of the following regions:

(a) North East Region (known as the "North East Region Trustee");

(b) North West Region (known as the "North West Region Trustee");

(c) South East Region (known as the "South East Region Trustee"); and

(d) South West Region (known as the "South West Region Trustee").

Individuals from Non-City Entities are not eligible to serve as Trustees.

ARTICLE 2

PURPOSE

This Agreement is entered into for the purpose of authorizing the Health Care Program created by the Trust to provide self-insured health benefits to Participating Employees, their covered dependents and other beneficiaries. The Health Care Program shall comply with the statutory provisions found in Chapters 48.62 and 39.34 RCW and the regulatory requirements contained in WAC 200-110 applicable to joint self-insurance programs.

ARTICLE 3

PARTIES

Each party to this Agreement certifies that it intends to participate in the Health Care Program. Participating Employers are signatories of this Agreement to become effective on a date to be mutually determined (the "Effective Date") and with such other Participating Cities and Non-City Entities as may later be added to and become signatories to this Agreement.

ARTICLE 4

DURATION OF AGREEMENT

4.1 This Agreement shall become effective on the Effective Date.

4.2 This Agreement shall have perpetual duration unless terminated as hereinafter provided.

ARTICLE 5

MEMBERSHIP COMPOSITION

The Health Care Program shall be open to Participating Cities and Non-City Entities. Participation in the Health Care Program is voluntary and not a requirement of AWC membership. The Board of Trustees shall provide for the reasonable admission of new Participating Cities and Non-City Entities.

ARTICLE 6

HCP ACCOUNT

6.1 All premium contributions by Participating Employers, Non-City Entities and Participating Employees for use in the Health Care Program are deposited into the HCP Account.

6.2 The HCP Account represents a pool of funds that is independent of all other Trust or AWC funds and independent of all other Participating Employer and Non-City Entity funds. The funds deposited into the HCP Account are held, managed and expended only for the Health Care Program and reasonable expenses, consistent with applicable state

and federal statutes and rules governing joint self-insurance programs and self-insurance programs generally.

6.3 The HCP Account is subject to audit by the State Auditor's Office.

ARTICLE 7

TRUSTEE POWERS RELATED TO HEALTH CARE PROGRAM

The Board of Trustees is provided with the powers and functions established under RCW 48.62.031 to accomplish the following:

7.1 Promote the economical and efficient means by which health benefits coverage is made available to Participating Employers and Non-City Entities and provided to Participating Employees, their covered dependents and other beneficiaries;

7.2 Protect the financial integrity of the Health Care Program through purchase of Stop Loss Insurance or Reinsurance in such form and amount as needed;

7.3 Contract for or otherwise provide risk management and loss control services;

7.4 Contract for or otherwise provide legal counsel for the defense of claims and other legal services;

7.5 Consult with the state insurance commissioner and the State Risk Manager;

7.6 Obligate the Participating Employers and Non-City Entities to pledge revenues or contribute money to secure the obligations or pay the expenses of the Health Care Program, including the establishment of a reserve or fund for coverage; and

7.7 Exercise all other powers and perform all other functions reasonably necessary to carry out the purposes of the Health Care Program, Chapter 48.62 RCW and Chapter 200-110 WAC.

ARTICLE 8

ORGANIZATION OF HEALTH CARE PROGRAM

8.1 The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Trustees or any delegates review and analyze Health Care Program-related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.

8.2 The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110 WAC.

ARTICLE 9

RESPONSIBILITIES OF THE TRUSTEES

9.1 The Board of Trustees shall discharge its responsibilities under this Agreement as follows:

9.1.1 Provide for the efficient management and operation of the Health Care Program;

9.1.2 Provide for health benefit coverage options for Participating Employees, their covered dependents and other beneficiaries;

9.1.3 Determine the level of Stop Loss Insurance or Reinsurance coverage for claims expenses above the amounts deemed appropriate for self-insurance;

9.1.4 Ensure that the Health Care Program meets required state and federal statutes and rules;

9.1.5 Contract with vendors required to meet the responsibilities established by the Trust Agreement, Health Care Program policies, and applicable state and federal statutes and rules;

9.1.6 Maintain the balance between meeting the Health Care Program needs of Participating Employers and the long-term financial integrity of the Health Care Program;

9.1.7 Prepare an annual financial report on the operations of the Health Care Program; and

9.1.8 Provide for other services deemed appropriate by the Board of Trustees to meet the purposes of this Agreement.

9.2 The Board of Trustees may delegate the responsibilities described in this Article 9 to the EBAC or other delegates at its complete discretion.

ARTICLE 10

RESPONSIBILITIES OF THE PARTICIPATING EMPLOYERS

In order to participate in the Health Care Program, Participating Employers shall:

10.1 Be a Participating City or Non-City Entity in good standing and comply with the requirements of admission or qualification as established by the Board of Trustees;

10.2 Adopt this Agreement by Resolution, agreeing to its terms and provisions;

10.3 Submit the Resolution and Agreement to the Trust;

10.4 Read the terms, conditions and representations set forth in the application agreement related to participation in the Health Care Program;

10.5 Designate an employee of the Participating Employer to be a contact person for all matters relating to the Participating Employer's participation in the Health Care Program;

10.6 Pay premiums for the Health Care Program to the Third-Party Administrator no later than the tenth day of the month in which the premium is due;

10.7 By formal action of the legislative body of the Participating Employer, approve policies and procedures necessary to secure protected health information ("PHI") in accordance with Chapter 70.02 RCW and the Health Insurance Portability and Accountability Act ("HIPAA") privacy and security rules, codified at 45 C.F.R. Parts 160-164;

10.8 Provide the Health Care Program with such information or assistance as is necessary for the Health Care Program to meet its responsibilities under this Agreement; and

10.9 Cooperate with and assist the Health Care Program and any insurer of Stop Loss Insurance or Reinsurance, in all matters relating to the administration and operation of the Health Care Program and all matters relating to this Agreement.

10.10 Comply with all bylaws, rules, regulations and policies adopted by the Board of Trustees relating to the Health Care Program.

ARTICLE 11

RESERVE FUND INVESTMENT

All reserve fund investments from the HCP Account shall be made in a manner that is consistent with RCW 48.62.111, Chapter 39.59 RCW, WAC 200-110-090 and the Health Care Program Investment Policy.

ARTICLE 12

FINANCIAL RECORDS

12.1 The Board of Trustees shall develop estimated revenue and expenditures to establish a budget for each fiscal year covering January 1 through December 31 annually. Actual Health Care Program revenues and expenditures shall be monitored monthly by the Board of Trustees and reported at its quarterly meetings.

12.2 The accounting records of the Health Care Program are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Health Care Program also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. Once reviewed and approved by the

Office of the State Auditor the year-end financial report is transmitted to the Office of the State Risk Manager.

12.3 Financial records of the Health Care Program shall be subject to audit by the Office of the State Auditor. Year-end financial reports and audit results shall be made available to interested parties. The Health Care Program shall provide financial information as required by state statute and rule to the Office of the State Risk Manager.

ARTICLE 13

PARTICIPATING EMPLOYER TERMINATION AND WITHDRAWAL

13.1 A Participating Employer must remain in good standing with the Trust and adhere to the requirements of this Agreement. In the event that a Participating Employer fails to be a Participating City or Non-City Entity in good standing, participation in the Health Care Program shall automatically terminate without notice as shall all health and welfare benefits provided through the Health Care Program.

13.2 The Board of Trustees may take action to terminate membership or deny membership in the Health Care Program where it determines that such termination or denial is in the best interest of the Health Care Program

13.3 When a Participating Employer's eligibility in the Health Care Program is affected due to merger or annexation, the affected Participating Employer may petition the Board of Trustees to remain in the Health Care Program.

13.4 A Participating Employer may only withdraw its participation in the Health Care Program at the end of the calendar year and must provide written notice to the Trust at least thirty-one (31) days in advance of the end of the calendar year (December 31st).

13.5 In the event of withdrawal or non-renewal, the Health Care Program will cover any of the Participating Employer's remaining outstanding Health Care Program claims expenses incurred prior to the Participating Employer's withdrawal from or non-renewal in the Health Care Program.

13.6 No Participating Employer, because of withdrawal or any other reason, has any right or interest in the HCP Account because of its nature as a rate stabilization fund. In the event any Participating Employer withdraws from the Health Care Program, its Participating Employees, their covered dependents and other beneficiaries and any Consolidated Omnibus Budget Reconciliation Act of 1985 as amended (COBRA) participants and contract personnel and dependents approved by the Board of Trustees, shall forfeit all right and interest to the HCP Account.

ARTICLE 14

TERMINATION OF HEALTH CARE PROGRAM

14.1 In the event the Health Care Program is terminated, the Board of Trustees shall distribute the remaining funds in the HCP Account to the Trust or any successor association authorized by Chapter 39.34 RCW for like purposes for use in any program with similar purposes.

14.2 Upon termination, this Agreement and the HCP Account shall continue for the purpose of paying remaining outstanding claims and expenses and fulfilling all other functions necessary to complete the business of the Health Care Program.

ARTICLE 15

MEETINGS, NOTICES AND COMMUNICATIONS

15.1 The Board of Trustees and the EBAC, if any responsibilities for Trust management have been delegated thereto, shall provide notice of their regular and special meetings and hold their meetings in accordance with Chapter 42.30, RCW Open Public Meetings Act.

15.2 Communications with Participating Employers may occur using mail, email or posting on the Health Care Program website. The website shall be partitioned to provide information for the general public and information specific to Participating Employers and their employees.

15.3 Communications may come directly from the Health Care Program, through the Third-Party Administrator or through another vendor on behalf of the Health Care Program.

ARTICLE 16

AMENDMENTS TO INTERLOCAL AGREEMENT

16.1 The Board of Trustees shall review and analyze any proposed amendment to this Agreement. An amendment may be proposed for review by any party to this Agreement.

16.2 The Board of Trustees upon its discretion may take action by resolution on any amendment at any regular meeting of the Board of Trustees.

ARTICLE 17

PROHIBITION ON ASSIGNMENT

17.1 No Participating Employer may assign any right or claim of interest it may have under this Agreement.

17.2 No creditor, assignee or third-party beneficiary of any employer shall have the right, claim or title to any party, share, interest, premium or asset of the Trust, HCP Account or the Health Care Program.

ARTICLE 18

HEALTH CLAIM DISPUTES AND APPEALS

In the event that a dispute arises over a health claim, the procedures, adjudication requirements and administrative remedies shall be found in the Health Care Program's plan document applicable to the Health Care Program covering the claimant.

ARTICLE 19

PLAN ADMINISTRATION DISPUTES AND APPEALS

19.1 In the event that a dispute arises between a Participating Employer and the Health Care Program, the Participating Employer shall document the circumstances causing the dispute and submit a written request for review of the disputed circumstances to the Board of Trustees. Upon review of such information, the Board of Trustees shall attempt to resolve the dispute.

19.2 If the Board of Trustees' resolution to the dispute is deemed unsatisfactory, then alternative dispute resolution through mediation or binding arbitration may be necessary.

ARTICLE 20

ENFORCEMENT OF TERMS OF AGREEMENT

20.1 The Board of Trustees may enforce the terms of this Agreement.

20.2 In the event legal action is initiated to enforce any term or provision of this Agreement against any present or previous Participating Employer, the prevailing party shall receive such reimbursement of costs as the court deems reasonable for attorneys' fees and costs related to the relevant legal action.

ARTICLE 21

DEFAULT

21.1 If any Participating Employer fails to perform any term or condition of this Agreement and such failure continues for a period of sixty (60) days after the Board of Trustees has given the Participating Employer written notice describing such failure, the Participating Employer shall be considered in default.

21.2 Upon default, the Board of Trustees may immediately cancel the Participating Employer's participation in the Health Care Program without additional notice or exercise some other remedy otherwise provided by law.

21.3 The rights and remedies of the Board of Trustees are cumulative in nature and pursuit of any particular remedy shall not be deemed an election of remedies or a waiver of any other remedies available hereunder or otherwise available by law.

ARTICLE 22

NO WAIVERS

No waiver or forbearance of a breach of any covenant, term, or condition of this Agreement shall be construed to be a waiver or forbearance of any other or subsequent breach of the same or of any other covenant, term or condition, and the acceptance of any performance hereunder, or the payment of any sum of money after the same has become due or at a time when any other default exists hereunder, shall not constitute a waiver or right to demand payment of all sums owing or a waiver of any other default then or thereafter existing.

ARTICLE 23

CONTRACT MANAGEMENT

The Health Care Program shall designate a person to whom the State Risk Manager shall forward legal process served upon the Risk Manager; **The AWC Chief Executive Officer** (designee or successor). **The Health Care Program Director** shall be responsible for and shall be the contact person for all communications regarding the performance of this Agreement.

ARTICLE 24

SEVERABILITY

If any provision of this Agreement or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this Agreement, and to this end the provisions of this Agreement are declared to be severable.

ARTICLE 25

COUNTERPART COPIES

This Agreement may be signed in counterpart or duplicate copies and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes.

ARTICLE 26

HEADINGS

The Article and Section headings in this Agreement are inserted for convenience only and are not intended to be used in the interpretation of the contents of the Articles and Sections they introduce.

ARTICLE 27

AGREEMENT COMPLETE

This Agreement and the documents referenced herein contains all the terms and conditions agreed to by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind the parties hereto.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement.

Association of Washington Cities Employee Benefit Trust

Signature: _____

Name: **Michael A. McCarty**

Title: Chief Executive Officer

Date: August 30, 2013

Participating Employer

Signature: _____

Name (print): RICHARD A. LEAHY

Title: CITY MANAGER

Date: Oct. 23, 2013

Effective Date: January 1, 2014

Trust Agreement Governing the

ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST

AWC
ASSOCIATION OF WASHINGTON CITIES
EMPLOYEE BENEFIT TRUST

Amended and Restated,
Effective July 1, 2013

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Preamble

Whereas, the Association of Washington Cities ("AWC") is a not-for-profit membership association established pursuant to the laws of the state of Washington for the purpose of providing various services to and on behalf of its member cities; and

Whereas, after the Washington State Legislature established the state retirement system for Law Enforcement Officers and Fire Fighters in 1969 ("LEOFF I"), requiring employers of full-time law enforcement officers and fire fighters to pay for their health coverage while working and during retirement; and

Whereas, Washington cities and towns asked the AWC to assist them with a program that would comply with the LEOFF I medical coverage mandate; and

Whereas, in response to the Washington cities' and towns' request, the AWC Board of Directors decided to establish and sponsor a health and welfare benefit trust for the sole purpose of providing health and welfare benefits, including coverage that complied with the LEOFF I medical coverage mandate, to AWC-member cities and towns; and

Whereas, the Signatory Parties declared and established a Trust Fund known as the Association of Washington Cities Employee Benefit Trust (the "Trust") in 1969 and adopted the Trust Agreement governing the Trust ("Trust Agreement") as of January 1, 1986, and subsequently amended the Trust Agreement in December, 2003, on September 25, 2008 and January 1, 2010; and

Whereas, on June 20, 1989, the Trust was approved by the Internal Revenue Service as a voluntary employees' beneficiary association ("VEBA"), within the meaning of Section 501(c)(9) of the Code, to provide for the payment of certain life, sick, accident, or other benefits as described in Section 501(c)(9) of the Code; and

Whereas, any or all of the AWC-member cities and towns had either entered into collective bargaining agreements or other agreements calling for the provision of health and/or other welfare benefits for any or all of their employees and retirees; and

Whereas, the Trustees have determined that it is necessary to amend the Trust Agreement to remove the provision allowing large city assessments, reflect EBAC eligibility changes previously adopted by the Trustees, remove the HIPAA Article due to adoption of separate HIPAA privacy and security policies; and

Now, therefore, in order to remove the provision allowing large city assessments, reflect EBAC eligibility changes previously adopted by the Trustees, remove the HIPAA Article from the Trust Agreement due to adoption of separate HIPAA privacy and security policies, and to effect certain other changes, the Signatory Parties restate the Trust Agreement, as set forth in the following pages, effective July 1, 2013.

Article I
Declaration of Trust

1. Name

The name of the Trust Fund is:

ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST

The Trustees may hold property, enter into contracts, and in all matters act in behalf of the Trust Fund in such name. The Trust Fund may sue or be sued in such name.

2. Purpose

The purpose of the Trust Fund is to provide an entity to which Contributions from Participating Employers and Contributions from Participating Employees (if any) can be paid and through which the Trustees can create and administer one or more Benefit plans or programs for the Participating Employees, on whose behalf the Contributions have been paid, and their Beneficiaries.

3. Duration of Trust Fund

The Trust Fund shall continue in existence on an indefinite basis, contemporaneously with the term of this Trust Agreement.

4. Term of Trust Agreement

This Trust Agreement became effective January 1, 1986, and continues indefinitely until such time as it may be terminated in accordance with the provision of Article XIII hereof.

5. Code Compliance

The Trust is a VEBA trust within the meaning of Section 501(c)(9) of the Code and is intended to qualify for exemption from federal income taxation. The Trust shall be interpreted consistent with the intent of Section 501(c)(9) of the Code and administered for the exclusive benefit of Participating Employees and their Beneficiaries, in a non-discriminatory manner, solely to provide benefits in accordance with the Trust.

Article II
Definitions

The following definitions shall govern in this Trust Agreement:

1. "Affordable Care Act" – the Patient Protection and Affordable Care Act of 2010, as amended by the Health Care Reconciliation Act of 2010, including the Additional Market Reforms included in Section 9815 of the Code, and including all regulations promulgated pursuant thereto. When reference is made to an incorrect or outdated Affordable Care Act provision, the reference shall be reformed to indicate the proper Affordable Care Act provision that is consistent with the context and intended meaning.

2. "Association" or "AWC" -- the Association of Washington Cities.

3. "AWC Board of Directors Districts" or "Districts" -- the districts as determined by the AWC Board of Directors and reflected on Appendix I, which is part of this Trust Agreement. If, after the effective date of the January 1, 2011 restatement of the Trust Agreement the AWC Board of Directors redraws the districts, the relevant Trust Agreement provisions and Appendix I shall be deemed to be updated as of the effective date of the redrawn districts, and Appendix I can be replaced without amendment to the Trust Agreement.

4. "AWC Trustees" -- the individuals described in Article II, Section 22(a).

5. "Beneficiary" -- any dependent of a Participating Employee, who is entitled to benefits, as defined in a Benefit program document; also, any person designated by a Participating Employee or dependent, or by the terms of a Benefit program document, to receive benefits upon the death of such Participating Employee or dependent.

6. "Benefits" -- any plan or program established and offered by the Trust for the purpose of providing Participating Employees and their Beneficiaries with healthcare (including, but not limited to, medical, dental, vision, prescription drug, wellness, mental health and substance abuse and employee assistance), and other welfare benefits, including but not limited to, accident, disability, long-term care, death or salary protection benefits.

7. "Code" -- the Internal Revenue Code of 1986, as amended, and including all regulations promulgated pursuant thereto. When reference is made to an incorrect or outdated Code provision, the reference shall be reformed to indicate the proper Code provision that is consistent with the context and intended meaning.

8. "Contributions" -- the payments required of a Participating Employer, or of Participating Employees, pursuant to the terms of a collective bargaining agreement, Participation Agreement, ordinance or resolution, for the purpose of providing Benefits to the employees covered by said agreement and their Beneficiaries; also, self-payments made by Participating Employees are made pursuant to any self-payment rules adopted by the Trustees.

9. "Employee Benefits Advisory Committee" or "EBAC" -- a Standing Committee of the Trust as described in Article V and responsible for monitoring existing Trust Benefits and services, developing and recommending new Trust benefit programs and services, overseeing rate renewals for all Trust Benefits and programs, and monitoring vendor performance.

10. "EBAC Trustees" -- the individuals described in Article II, Section 22(b).

11. "HIPAA" – the Health Insurance Portability and Accountability Act of 1996, including the privacy regulations set forth in 45 C.F.R. Part 160 and 45 C.F.R. Part 164, Subparts A and E, and the security regulations set forth in 45 C.F.R., Subpart C. When reference is made to an incorrect or outdated HIPAA provision, the reference shall be reformed to indicate the proper HIPAA provision that is consistent with the context and intended meaning.

12. "Non-City Entity" -- any public agency, public corporation, intergovernmental agency, political subdivision or related private, non-profit membership association, within the state of Washington that meets the requirements of Article IX, Section 1(c)(i), (ii) and (iii) or is a grandfathered non-city entity.

13. "North East Region" -- Districts 1, 3 and 9.

14. "North West Region" -- Districts 7, 8, 11, 12 and 14.

15. "Participating City" -- any city or town within the state of Washington that meets the requirements of Article IX, Section 1(a) or Section 1(b).

16. "Participating Employee" -- any individual employed by a Participating Employer and for whom the employer makes Contributions to the Trust Fund, and any individual who may have been so employed but is subsequently laid off, terminated, or retired.

17. "Participating Employer" -- any of the following:

(a) A Participating City; or

(b) A Non-City Entity.

18. "Participation Agreement" -- a written agreement between a Participating City or a Non-City Entity and the Trustees, and any supplement, amendment, continuation, or renewal thereof, that obligates the Participating City or Non-City Entity to make Contributions to the Trust Fund for the purpose of providing Benefits to the Participating Employees covered by said agreement, and their Beneficiaries.

19. "Regional Trustees" -- the individuals described in Article II, Section 22(c).

20. "Signatory Parties" -- the parties who have created the Trust Agreement and whose signatures appear on the last page hereof (or their lawful successors).

21. "South East Region" -- Districts 2 and 4.

22. "South West Region" -- Districts 5, 6, 10 and 13.

23. "Standing Committee" -- a permanent committee of the Board of Trustees.

24. "Trustees" or "Board of Trustees" -- the following individuals and their successors:

(a) the AWC President and the AWC Vice President;

(b) the Employee Benefits Advisory Committee Chair and the Employee Benefits Advisory Committee Vice Chair; and

(c) an individual elected pursuant to the procedures in Article III, Section 5 to serve as the trustee from one of the following regions:

(i) North East Region (known as the "North East Region Trustee");

(ii) North West Region (known as the "North West Region Trustee");

(iii) South East Region (known as the "South East Region Trustee"); and

(iv) South West Region (known as the "South West Region Trustee").

Individuals from Non-City Entities are not eligible to serve as Trustees.

25. "Trust" or "Trust Fund" -- the entity created by this Trust Agreement, and all property and money held by such entity, including all contract rights and records.

26. "Underwriting Rules" -- the separate written rules adopted by the Board of Trustees governing participation of cities and non-city entities in the Trust. The Underwriting Rules include, but are not limited to, general participation requirements, elected official participation criteria and medical, dental, vision, life, long term disability insurance and employee assistance program participation, eligibility and waiting period requirements. The Board of Trustees reserves the right to amend, modify or terminate the Underwriting Rules at any time and for any reason.

27. "VEBA" -- a voluntary employees' beneficiary association, within the meaning of Section 501(c)(9) of the Internal Revenue Code of 1986, as amended.

Article III
The Trustees

1. The Board of Trustees

The Trust Fund and its Benefits shall be administered by a Board of Trustees.

2. Agents for Service of Process

Each Trustee shall be considered as an agent of the Trust Fund for the purpose of acceptive service of legal process, provided that the Trustees may designate their administrative agent, or another person, as agent of the Trust Fund for this purpose.

3. Chair and Vice Chair of the Board of Trustees

The AWC President shall serve as the chair of the Board of Trustees, and the AWC Vice President shall serve as the Vice Chair of the Board of Trustees.

4. Terms of Board of Trustees Members

(a) AWC Trustees

Each AWC Trustee's term shall be equal to his or her term as AWC President or AWC Vice President, as applicable.

(b) Regional Trustees

(i) Initial Terms

The initial term of Regional Trustees shall be as follows:

(A) North East Region Trustee: July 1, 2010 – June 30, 2012 (a two-year term);

(B) North West Region Trustee: July 1, 2010 – June 30, 2013 (a three-year term);

(C) South East Region Trustee: July 1, 2010 – June 30, 2013 (a three-year term); and

(D) South West Region Trustee: July 1, 2010 – June 20, 2012 (a two-year term).

(ii) Subsequent Terms

Following the initial term in Article III, Section 4(b)(i), each Regional Trustee shall serve a three-year term commencing on the July 1 immediately following the date he or she is elected as a Regional Trustee.

(c) EBAC Trustees

Each EBAC Trustee's term shall be equal to his or her term(s) as EBAC Chair or EBAC Vice Chair, as applicable.

5. Election of Regional Trustees

(a) Initial Election

In May or June of 2010, the mayor of any Participating City may nominate an elected official from any Participating City for election to one of the following positions:

(i) North East Region Trustee

(ii) North West Region Trustee

(iii) South East Region Trustee

(iv) South West Region Trustee

The initial election will be conducted on a region by region basis, and the mayors of the Participating Cities in each region will elect, by simple majority of those mayors voting, the individuals to serve as Regional Trustees.

(b) Subsequent Elections

In May or June in years following the initial election in Article III, Section 5(a), the mayor of any Participating City may nominate an elected official from any Participating City for election to Regional Trustee positions that will become vacant on July 1 of that year.

Subsequent elections will be conducted on a region by region basis, and the mayors of the Participating Cities in the applicable region will elect, by simple majority of those mayor voting, the individual(s) to serve as Regional Trustee(s).

6. Acceptance of Board of Trustees Membership

An AWC Trustee or an EBAC Trustee accepts his or her position as a member of the Board of Trustees on the date he or she becomes an AWC Trustee or an EBAC Trustee. A Regional Trustee accepts his or her position as a member of the Board of Trustees on July 1 following the date of his or her election as Regional Trustee, as described in Article III, Section 5.

7. Appointment of Successor Trustees

In the event (i) a Trustee's participating City terminates participation in the Trust, (ii) a Trustee resigns from elected office or his or her elected office position terminates; (iii) a Trustee dies; or (iv) if for any other reason there is a vacancy in one of the Trustee positions, a successor or replacement Trustee shall be appointed by the Board of Trustees. Such appointment shall be effective as of the date specified by the Board of Trustees.

Any successor Regional Trustee shall serve on an interim basis, completing the unexpired term of the vacating Regional Trustee.

8. Termination for Failure to Attend Meetings

A Trustee shall be automatically terminated if such Trustee fails to attend three (3) consecutive meetings of the Trustees, only if he or she was not excused from attendance by specific action of the remaining Trustees noted in the minutes.

9. Termination for Conviction of a Crime

A Trustee shall be automatically terminated if such Trustee is convicted of any of the crimes listed in 29 U.S.C. § 1111(a).

10. Termination for Mental Incapacity

A Trustee shall be automatically terminated if such Trustee is declared mentally incompetent by court decree.

11. Resignation

A Trustee may resign at any time. Such resignation shall be effective upon the resignation date specified in a written notice of resignation addressed to the Chair or Vice Chair of the Trustees.

The foregoing shall not relieve the resigning Trustee of liability from actions taken while he or she was a Trustee, either individually or as a member of the Board of Trustees.

12. Vacancies

No vacancy in the position of Trustee shall impair the power of the remaining Trustees to administer the affairs of the Trust Fund so long as a quorum exists as specified in Article IV, Section 2, hereof.

13. Return of Books and Records

In the event of the termination, resignation, or death of a Trustee, the Trustee (or the Trustee's legal guardian, heirs, or personal representative) shall, upon the request of the Chair or the Vice Chair of the Trustees, turn over to the Chair or Vice Chair any and all records, books, documents, monies, and other property in the possession of the Trustee, or under the Trustee's control, that belong to the Trust Fund or that were received by the Trustee in his or her capacity as Trustee.

Article IV
Trust Fund Administration

1. Manner of Voting

Any action to be taken by the Trustees at a meeting shall be determined by a majority vote of those Trustees at the meeting.

2. Constitution of a Quorum

To constitute a valid regular or special meeting of the Trustees, a quorum must be present. A quorum shall consist of a simple majority of the Trustees then serving.

3. Motions

Any Trustee including the Chair or Vice Chair may offer or second any motion or resolution presented for the Trustees' consideration.

4. Prohibition of Proxies

To encourage full attendance at meetings of the Trustees and due consideration of the matters being voted upon, there shall be no proxies. A Trustee must be present in order to cast a vote.

5. Board of Trustees Meetings

(a) Regular Meetings

The Trustees shall hold regular periodic meetings consistent with the needs of Trust Fund business, provided that there shall be at least two (2) regular meetings held during each calendar year. The Trustees shall determine the time and place of all regular meetings.

(b) Special Meetings

Either the Chair or the Vice Chair or any two (2) Trustees may call a special meeting. The meetings shall be held at such place and time as the Chair, Vice Chair or the two (2) Trustees calling the meeting may prescribe. Only business within the purposes described in the meeting notice may be conducted.

(c) Notice of Meeting

Notice of the place, date and time of the regular meetings and notice of the place, date, time and purpose or purposes of special meetings shall be delivered not less than five (5) days before the date of the meeting, either (i) by tangible medium transmitted by mail, private carrier, personal delivery, telephone, wire or wireless equipment which transmits a facsimile of the notice, (ii) by electronic transmission in accordance with applicable law, or (iii) in any other manner approved by law, by or at the direction of the Chair or Vice Chair, to each Trustee of record entitled to notice of such meeting. Notice given in accordance with the foregoing shall be effective when and as provided under applicable law.

(d) Waiver of Notice

Except where expressly prohibited by law or this Trust Agreement, notice of the place, date, time and purpose or purposes of any meeting may be waived by any Trustee at any time, either before or after the meeting. Such waiver may be provided by the Trustee either (i) in an executed and dated written record or (ii) if the Trust has designated an address, location or system to which such waiver may be electronically transmitted and such waiver is electronically transmitted to such designated address, location, or system, in an executed and dated electronically transmitted record. Attendance at the meeting in person waives objection to lack of notice or defective notice of the meeting unless the Trustee at the beginning of the meeting objects to holding the meeting or transacting business at the meeting. A Trustee waives objection to consideration of a particular matter at a meeting that is not within the purpose or purposes described in the meeting notice, unless the shareholder objects to considering the matter when it is presented.

(e) Telephone Meetings

Trustees may participate in a regular or special meeting by means of a conference telephone or any similar communications equipment that enables all persons participating in the meeting to hear each other during the meeting. Participation by such means shall constitute presence in person at a meeting.

(f) Action Without a Formal Meeting

In performing the duties set forth in the Trust Agreement, the Trustees may take action without a formal meeting by means of: (i) a conference telephone call, arranged by the Chair, Vice Chair or the administrative agent, in which all Trustees participate; (ii) the presentation of a written motion or resolution sent to all Trustees by the Chair, Vice Chair or the administrative agent and the subsequent obtaining of Trustee votes on the motion or resolution in telephone calls placed to each Trustee by the Chair, Vice Chair or administrative agent; or (iii) the presentation of a written motion or resolution sent to all Trustees by the Chair, Vice Chair or the administrative agent and the subsequent obtaining of Trustee votes on the motion or resolution in letters sent by each Trustee to the Chair, Vice Chair or the administrative agent.

Any action under this section shall be reported in the minutes of the next formal meeting.

6. Duties of Chair and Vice Chair

The Chair shall chair the meetings of the Trustees, shall appoint all committees, other than Standing Committees, and shall carry out such other duties as the Trustees may assign.

The Vice Chair, in the absence of the Chair, shall act in the place of the Chair and perform the Chair's duties.

7. Signature Authority

The signatures of Chair and the Vice Chair or of any two authorized Trustees shall be necessary and sufficient to bind the Trust, and a copy of this Trust Agreement may be shown to the appropriate parties to confirm the same. Signature authority may be delegated by action of the Board of Trustees, and a copy of such action may be shown to the appropriate parties to confirm same. All persons doing business with the Trust Fund may rely on such signatures.

8. Expenses

Each Trustee shall be reimbursed out of the Trust Fund for all expenses properly and actually incurred by such Trustee in the administration of the Trust Fund.

All reasonable expenses which are necessary to operate and administer the Trust Fund, including fees paid to persons employed by the Trustees, shall be paid from Trust assets.

Trustees shall not be entitled to compensation for the performance of their duties as Trustees.

9. Benefits to Trustees Not Prohibited

Nothing in this Trust Agreement shall prohibit a Trustee from receiving Trust Benefits, if the Trustee is otherwise eligible for the same as a Participating Employee or as a Beneficiary of a Participating Employee.

ARTICLE V
Employee Benefits Advisory Committee

1. EBAC Structure

The EBAC shall consist of four (4) at-large positions and eleven (11) District positions, with one representative from each of the eleven (11) Districts.

All positions shall be limited to appointed officials only.

At-large positions shall be structured in the following manner:

(a) 1 At-Large East

(b) 1 At-Large West

(c) 1 At-Large Statewide

(d) 1 At-Large Statewide (Wellness)

The EBAC shall consist of no more than three (3) representatives from any one District and no more than one from any one Participating City.

2. EBAC Appointment and Election

The process to elect EBAC members shall begin in May or June, of each year, with the term of office commencing July 1.

The mayor of a Participating City may nominate candidates for election to the EBAC. Candidates must be from a Participating City that participates in the Trust's core benefit plans, including Regence BlueShield/Asuris Northwest Health, Group Health Options or any other core medical benefit adopted by the Trust. The mayors of Participating Cities will then elect, by simple majority of those mayors voting, the individuals to serve as EBAC members.

District position elections will be conducted on a District by District basis. At-large position elections will be conducted on a statewide basis.

3. Term of Appointment

Each EBAC member shall serve a three-year term of appointment running from July 1 to June 30. Should an EBAC member's Participating City cease to participate in one of the Trust's core benefit plans, the term of appointment will expire at the end of the month in which the core benefit coverage is terminated. Notwithstanding the foregoing, if, prior to march 29, 2013, any current EBAC member's Participating City has ceased to participate in one of the Trust's core benefit plans, including Regence BlueShield/Asuris Northwest Health, Group Health Options or any other core medical benefit plan adopted by the Trustees, his or her term of appointment shall expire on April 30, 2013.

4. EBAC Chair and Vice Chair

Any EBAC member can nominate an EBAC member for the Chair and Vice Chair positions. The EBAC will then elect, by simple majority of those EBAC members voting, the individuals to serve as EBAC Chair and EBAC Vice Chair.

The term of the Chair and Vice Chair positions shall be the lesser of the individual's EBAC term or three years. Election to either Chair or Vice Chair shall not constitute a vacancy of that individual's District or at-large position.

5. Appointment of Successor EBAC Members

A vacancy of a District or at-large position shall be filled by nomination of potential candidates from that District and final appointment by the EBAC Chair.

Any successor EBAC member shall serve on an interim basis, completing the unexpired term of the vacating EBAC member until the next election, when the position shall go through the normal election process and the person elected shall complete the term of that office.

Article VI
Trustee Responsibilities

1. General Duty -- Receipt of Contributions and Creation and Administration of Benefits

It shall be the general duty of the Trustees to receive the Contributions from Participating Employers and the Contributions from Participating Employees (if any) and any other income and assets that they may receive and, with such, to create and administer one or more Benefits for the Participating Employees and their Beneficiaries. The Trustees reserve the right to change the terms of any Benefit at any time, including Benefit termination. In addition, changes to benefits will be made that are deemed necessary and appropriate to meet legal requirements as now in affect or as enacted or amended as the effective date of this amended Trust Agreement.

Additionally, the Trustees shall have the specific duties set forth in this Trust Agreement and such other duties as are imposed upon them by the Revised Code of Washington and other applicable laws; provided, however, that except as expressly set forth herein, the Trustees shall not be subject to any of the duties, restrictions or liabilities which would otherwise be imposed by chapters 11.95, 11.98, 11.100 or 11.104A or section 11.106.020 of the Revised Code of Washington, or any amendments or revisions thereto.

2. Compliance with the Internal Revenue Code

The Trustees shall administer the Trust Fund and the Benefits so that, to the extent allowed in the Internal Revenue Code, the Trust Fund is tax exempt and the value of the Benefits is excludable from the Participating Employee's or Beneficiary's taxable income.

3. FICA and Income Tax Withholding and Reporting

The Trustees shall ensure compliance with Section 3102 of the Internal Revenue Code, which requires the withholding and depositing of a Participating Employee's share of the FICA tax imposed on the first six months of any sick pay benefit payments made by the Trust Fund. Where applicable, the Trustees shall notify Participating Employers of the Employee withholding to facilitate payment of the employer's share of such tax.

As required by Section 3402 of the Internal Revenue Code, the Trustees shall, upon the written request of a Participating Employee, ensure the withholding of federal income tax from any sick pay benefit payments made by the Trust Fund. Where applicable, the Trustees shall furnish Participating Employees as required by Section 6051(f) of such Code.

In the event the Trustees agree to act as agents of the Participating Employers for reporting purposes, the Trustees shall furnish a Form W-2 to each Participating Employee who receives sick pay benefit payments and shall file Form W-3 with the Internal Revenue Service. The Trustees shall also file Form 941 reflecting all sick pay benefits paid with the Internal Revenue Service.

4. Basis of Payments to and from Trust Fund

The basis on which Contributions of Participating Employers and Contributions of Participating Employees (if any) are made shall be as specified in the underlying collective bargaining agreement, Participation Agreement, ordinance or resolution. The basis on which benefits are paid out of the Trust Fund shall be specified in the Benefit descriptions, or any other contracts or instruments under which a Benefit is established or operated.

5. Application of Trust Fund Assets

The assets of the Trust Fund shall never inure to the benefit of any Participating Employer and shall be held for the exclusive purposes of providing benefits to Participating Employees and their Beneficiaries and defraying reasonable expenses of administering Benefits.

6. Fiduciary Standards

The Trustees shall discharge their duties and administer the Trust Fund assets solely in the interest of the Participating Employees and Beneficiaries and for the exclusive purpose of (a) providing benefits to Participating Employees and their Beneficiaries and (b) defraying reasonable expenses of Benefit administration.

In carrying out their duties, the Trustees shall act with the judgment and care under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs.

7. Deposits

The Contributions, or any other monies which the Trustees may receive, shall be deposited in one or more banks or similar financial institutions supervised by the United States or a state, pending the allocation of such monies for the payment of current benefits and expenses, or for investment.

8. Investments

(a) General

The Trustees are the stewards of the Trust Fund and are responsible for investing all Contributions or other monies not required for the payment of current benefits and expenses. As such, the Trustees are responsible for establishing the Trust Fund's investment policies, approving investment plans, overseeing implementation of investment policies and monitoring investment performance.

All investment earnings and other passive income of the Trust Fund shall be set aside as realized solely for the purpose of providing the Benefits described herein and for payment of administrative costs of so providing such Benefits. No part of the net earnings of the Trust Fund shall inure, other than by payment of Benefits, to the benefit of any entity or individual.

(b) Delegation of Investment Responsibilities

(i) General

Pursuant to the power to delegate responsibility in Article VII, Section 4, the Trustees may delegate all or part of their responsibilities for the management of the Trust Fund investments to one or more of the following qualified investment managers:

(A) an investment adviser registered as such under the Investment Advisers Act of 1940;

(B) a bank as defined in that Act; or

(C) an insurance company qualified to manage, acquire, or dispose of employee benefit plan assets under the laws of more than one state ("Investment Manager").

In the event the Trustees elect to delegate investment responsibility, they shall do so by the adoption of a motion or resolution making the delegation to a designated investment manager. The delegation shall be effective when the investment manager accepts the delegation and acknowledges in writing his status as a fiduciary with respect to the Trust Fund.

The Trustees shall not be liable for the acts or omissions of such Investment Manager or be under any obligation to invest or otherwise to manage any other of the assets of the Trust Fund which are subject to the management of the Investment Manager. The Trustees shall have the power to remove and replace any Investment Manager whose performance they deem unsatisfactory.

(ii) Oversight Retained

Even with the delegation of investment responsibilities, as stated in Article VI, Section 8(b)(i), the Trustees still maintain the oversight responsibility, as stated in Article VI, Section 8(a).

(c) Title to Investments and Other Assets

Title to all investments or other assets of the Trust Fund shall be maintained in the name of the Trust Fund, provided that for convenience in transferring bonds, or other negotiable securities, title to the securities may be held in the name of the Trust Fund's custodian bank, or of its nominee.

Except as may be authorized by applicable laws, the indicia of ownership of all investments and other assets of the Trust Fund shall not be maintained outside the jurisdiction of the federal district courts of the United States.

9. Fidelity Bond

The Trustees shall procure a fidelity bond covering each Trustee or other person who receives, handles, disburses, or otherwise exercises custody or control of any of the funds or other property of the Trust Fund.

The amount of the bond shall be fixed by the Trustees at the beginning of each fiscal year of the plan. The amount of the bond shall be $5,000,000 per occurrence. The bond shall provide protection of the Benefits or Trust against loss by reason of acts of fraud or dishonesty on the part of the plan official, directly or through connivance with others. Any bond shall have as surety thereon a corporate surety company, which is an acceptable surety on federal bonds under authority granted by the Secretary of the Treasury pursuant to sections 6 through 13 of Title 6, United States Code.

The cost of the bond shall be chargeable to the Trust Fund, provided that, if the bond covers persons other than the Trustees or their employees (if any), and if there is an additional premium for the coverage for such other persons, the additional premium shall be chargeable to such other persons.

10. Records

The Trustees shall maintain records of their administration of the Trust Fund, including records of all receipts and disbursements, all investments purchased or sold, the texts of all Benefit program descriptions, all employee eligibility listings, all minutes of Trustee meetings, and all correspondence. No such record shall be destroyed except upon the specific action of the Trustees, and destruction shall not be directed until a period of eight (8) years has elapsed from the date the record was created.

The exact nature of medical disabilities giving rise to claims shall be confidential to the provider and Participating

Employee or Beneficiary, unless disclosure is otherwise allowed by law.

11. Reports

The Trustees shall file or cause to be filed all annual reports, returns, and financial and other statements as required by any federal or state statute, agency, or authority, within the time prescribed by law or regulation for filing said documents; and to furnish such reports, statements, or other documents to such Participating Employees and Beneficiaries as required by federal or state statute or regulations, within the time prescribed for furnishing such documents.

12. Annual Audit

The Trustees shall engage an independent qualified public accountant and shall authorize the accountant to conduct an annual financial examination of the Trust Fund. The cost of the examination shall be chargeable to the Trust Fund. A statement of the results of each examination shall be submitted to the Trustees for their review.

13. Benefit Descriptions

The Trustees shall ensure that descriptions of each Benefit are prepared and provided by the Trust Fund and that copies of such descriptions are furnished, including any material modifications or changes thereto, to the Participating Employees and Beneficiaries.

14. Documents to be Examined or Furnished

(a) Examination of Documents

The Trustees shall make copies of:

(i) this Trust Agreement;

(ii) the latest updated Benefit program descriptions; and

(iii) any other contracts or instruments under which a Benefit is established or operated, available for examination by Participating Employees or their Beneficiaries in the Trust Fund office.

(b) Documents to be Furnished

The Trustees shall, upon written request by a Participating Employee or Beneficiary, furnish to the Participating Employee or Beneficiary a copy of:

(i) this Trust Agreement;

(ii) the latest updated Benefit program descriptions; and

(iii) any other contracts or instruments under which a Benefit is established or operated. Such copies shall be furnished within thirty (30) days of the request. The Trustees may impose a reasonable charge for such copies.

15. Funding and Reserve Requirements

The Trustees shall meet periodically with their Benefit program consultant, investment consultant, investment manager, the independent qualified public accountant, and such other Trust Fund advisers as may be appropriate, for the purpose of anticipating the short run and long run financial needs of the Trust Fund. Thereupon, the Trustees shall implement any appropriate funding policy and method for the Trust Fund.

The funding policy and method shall be considered by the Trustees in the management of Trust Fund investments. In the event the management of Trust Fund investments has been delegated to an investment manager, the funding policy and method shall be considered by that manager.

16. Procedure for Review of Denied Benefit Claims

The Trustees shall establish administrative procedures whereby Participating Employees or their Beneficiaries whose claims for benefits are denied are notified, in writing, of the reasons for such denial and which afford such a Participating Employee or Beneficiary a reasonable opportunity for a full and fair review. Such procedures shall include the hearing and arbitration provisions set forth in Article X hereof.

The claims procedures shall conform to the requirements of applicable Washington law.

Article VII
Trustee Powers

1. General Powers

Except as may be expressly limited by the terms of this Trust Agreement, the Trustees shall have full and exclusive authority to control and administer the Trust Fund and the Benefit plans or programs which they create.

The authority of the Trustees not only encompasses the specific powers recited in the various paragraphs of this Trust Agreement, but also includes the general power to do all things and take all actions, including the expenditure of Trust Fund monies, which they may deem necessary to administer the Trust Fund and its Benefit programs and carry out the purpose of this Trust Agreement. The Trustees may implement their powers through the adoption of appropriate motions, resolutions, or administrative rules and regulations.

2. Specific Powers Discretionary

The recitation of specific powers in this Trust Agreement shall not be interpreted as compelling the exercise of any such power. The exercise of specific powers is discretionary with the Trustees.

3. Allocation of Responsibilities to Committees

The Trustees may allocate to one or more committees of Trustees all or part of the following responsibilities, with full power to act:

(a) the responsibility for managing the Trust Fund investments (if not otherwise delegated to a qualified investment manager);

(b) the responsibility for reviewing and determining benefit claims of Participating Employees and their Beneficiaries;

(c) the responsibility for conducting hearings and issuing determinations as provided for in Article X, Section 2, hereof;

(d) the responsibility for resolving questions or problems that may be encountered in connection with the collection of delinquent Participating Employer accounts;

(e) the responsibility for resolving questions or problems that may be encountered in connection with the day-to-day work of the administrative agent; and

(f) the responsibility for reviewing the performance of the qualified investment manager (if any), and of the other professional persons retained by the Trustees.

In the event the Trustees elect to allocate any of the stated responsibilities, they shall do so by the adoption of a motion or resolution calling for the appointment of a committee of Trustees and specifying the particular responsibility that is being allocated. With respect to the responsibility that is allocated, the committee shall have all the powers of the full Board of Trustees. Any action to be taken by the committee shall be determined according to the voting formula contained in Article IV, Sections 1 and 2, thereof. If there is a deadlock on any matter submitted to the committee members for their concurrence, the matter shall be referred to the full Board of Trustees for review and action.

Nothing contained herein shall in any way limit the authority of the Trustees to create additional committees for the purpose of assisting with or expediting the affairs of the Trust Fund, provided that any committee shall be expediting the affairs of the Trust Fund, provided that any committee shall be empowered only to make recommendations with respect to the matters referred to it.

4. Delegation of Responsibilities

To the extent responsibilities are not delegated elsewhere in the Trust Agreement, the Trustees may delegate all or part of their responsibilities with respect to the administration of the Trust Fund or the Benefits (except investment responsibilities) to an administrative agent or to any other person whom they may designate for that purpose.

In the event the Trustees elect to delegate a particular responsibility, they shall do so contractually, by the adoption of a motion or resolution making the delegation to a designated person, or by any other appropriate method evidencing delegation and acceptance. The delegation shall be effective when the designated person accepts the delegation. If the delegation involves a responsibility other than one which is ministerial in nature, the designated person shall also acknowledge in writing his status as a fiduciary with respect to the Trust Fund.

In the event the Trustees elect to allocate or delegate Trustee responsibilities, they shall periodically review the performance of the persons to whom such responsibilities have been allocated or delegated.

5. Benefits Currently Being Provided

Any Benefits designated by the Trustees may be funded through the Trust, provided the benefits are described in Section 501(c)(9) of the Code.

The Trustees shall have the authority to make changes to such Benefits, or any Benefits hereafter adopted, including changes that expand, restrict, or terminate all or part of the rules relating to eligibility for Benefits, or to the amount and nature of such Benefits, as they may determine, so long as the benefits are described in Section

501(c)(9) of the Code. Amendments may be made on a prospective or retroactive basis.

6. Additional Benefits

The Trustees shall have the authority to create and administer additional Benefits.

7. Benefit Design

The Trustees shall have the authority to determine the details of the Benefits in accordance with applicable law, including the determination of the rules under which Participating Employees shall be eligible for Benefits and the nature and amount of such Benefits. The Trustees shall also have the authority to determine whether Benefits shall be extended to Beneficiaries of Participating Employees and, if so, to determine which class or classes of Beneficiaries shall be eligible for Benefits, the eligibility rules which will apply to such class or classes of Beneficiaries, and the nature and amount of such Benefits. If there are different Contribution rates, the Trustees may establish different eligibility rules, or Benefit formulas, for the Participating Employees and their Beneficiaries who are affected thereby.

8. Means of Providing Benefits

The Trustees shall have the authority to provide the Benefits, in whole or in part, directly from the Trust Fund or may contract with an insurance carrier, service organization, health maintenance organization, or other entity, to underwrite or provide such benefits.

9. Facility of Payment

The Trustees shall have the authority to adopt rules by the terms of which Benefit payments owing to minors or incompetents may be paid instead to a person or institution providing care or other services to the minor or incompetent, even though a legal guardianship does not exist. Benefit payments made under those rules shall fully discharge the Trust Fund's obligation to the minor or incompetent.

10. Self-Payments by Participating Employees

The Trustees shall have the authority to include provisions in the Benefit program documents by the terms of which Participating Employees, during periods of strikes, lockouts, employer delinquencies, leaves of absence, disabilities, layoffs, termination or retirement may be permitted to make Contributions on their own behalf.

11. Administrative Agent

The Trustees shall have the authority to retain, at the expense of the Trust Fund, one or more administrative agents to assist the Trustees in the day-to-day administration of the Trust Fund and the Benefits offered by the Trust. Such assistance may include the keeping of minutes or records of all meetings, proceedings, and actions of the Trustees, the receipt and recording of Contributions, the processing of delinquent accounts, the preparation of employee eligibility listings, the processing of Benefit applications, the payment of Benefits, the maintenance of financial records and correspondence, and the handling of routine communications.

The administrative agent may be an individual, an entity, the AWC, a contract administrator or a salaried administrator. In the event the Trustees employ a salaried administrator, they shall also have the authority to employ such additional administrative staff personnel as may be necessary.

12. Banking Services

The Trustees shall have the authority to retain, at the expense of the Trust Fund, one or more banks or similar financial institutions supervised by the United States or a state, to perform depository or custodial services, or to serve as corporate trustee or co-trustee, on behalf of the Trust Fund.

The Trustees shall periodically review the performance of the banks which they have retained to perform banking services.

13. Other Professional and Non-Professional Help

The Trustees shall have the authority to retain, at the expense of the Trust Fund, one or more accountants, actuaries, attorneys, employee benefit plan consultants, investment managers, payroll auditors, and other professional or non-professional help, as they may deem necessary in the administration of the Trust Fund and the Benefits offered by the Trust. Unless limited by applicable law, the retention of any such professional or non-professional help may be on a contract or salaried basis.

The Trustees shall periodically review the performance of their professional help and non-professional help.

14. Obtaining of Necessary Premises, Equipment and Supplies

The Trustees shall have the authority to purchase or lease suitable premises and equipment and to purchase materials and supplies, at the expense of the Trust Fund, as they may deem necessary in the administration of the Trust Fund.

15. Insurance

The Trustees shall have the authority to purchase policies of insurance (liability, property damage, casualty, and errors and omissions) to protect the Trust Fund and to protect themselves and their employees (if any), and other they may so designate with respect to their activities on behalf of the Trust Fund, as they may deem necessary. The cost of these insurance policies shall be chargeable to the Trust Fund, provided that, if such insurance policies cover persons other than the Trustees or their employees (if any), and if there is an additional premium for the coverage for these other persons, the additional premium shall be chargeable to the other persons.

16. Borrowing Money

The Trustees shall have the authority to borrow money for the Trust Fund, with or without security, and to execute and deliver notes, mortgages, pledges, or other instruments as may be necessary in connection therewith, as they may deem necessary in the administration of the Trust Fund.

17. Reserve Funds

The Trustees shall have the authority to maintain reasonable reserve funds for future contingencies as they may deem necessary in the administration of the Trust Fund.

18. Payment of Taxes

The Trustees shall have the authority to pay, at the expense of the Trust Fund, all real and personal taxes, and other taxes and assessments of any kind, they may be lawfully levied or assessed against the Trust Fund.

19. Refunds of Contributions Erroneously Paid

The Trustees shall have the authority to adopt rules by the terms of which refunds of Contributions may be made to a Participating Employer, a former Participating Employer or Participating Employee where the employer or employee has paid Contributions in error, and provided further that in the event the Trustees shall allow a refund, any investment gains attributable to the mistaken Contributions shall not be paid to the Participating Employer and any attributable losses shall be deducted from the refunded Contributions.

20. Prosecution of Legal Actions or Claims

The Trustees shall have the authority to originate and maintain any legal actions or claims involving legal action, at the expense of the Trust Fund, as they may deem necessary in the administration of the Trust Fund. All such actions and claims shall be prosecuted in the name of the Trust Fund or in the name of an assignee.

21. Defense of Legal Actions or Claims

The Trustees shall have the authority to defend all legal actions, claims involving potential legal actions, and investigatory proceedings initiated against the Trust Fund or against one or more of the Trustees, former Trustees, administrative agents, or against one or more of the employees of the Trust Fund (if any) that relate to the administration of the Trust Fund. Except as stated below, the defense of such actions, claims, and proceedings shall be at the expense of the Trust Fund.

If the final court decree establishes personal liability on the part of specified Trustees, administrative agents, or employees (if any) for breach of their fiduciary responsibilities, and orders that the specified persons are to bear the expenses of their own defense, their attorney fees shall not be chargeable to the Trust Fund. If attorney fees and costs have already been charged to the Trust Fund, the specified persons shall be obligated to repay the Trust Fund for their pro-rata portion of the fees and costs.

22. Compromise of Legal Actions or Claims

The Trustees shall have the authority to compromise, settle, or release all legal actions or claims involving potential legal actions, in favor of or against the Trust Fund, on such terms and conditions as they may determine.

23. Penalties for False or Withheld Information

The Trustees shall have the authority to adopt rules and regulations by the terms of which reasonable penalties or forfeitures may be imposed upon Participating Employees or Beneficiaries who (a) falsify any information requested of them in the administration of the Trust Fund and the Benefits, or (b) fail to provide requested information within a reasonable time.

24. Correction of Errors

It is recognized and acknowledged by all parties that the Trustees will provide eligibility credits or benefits to Participating Employees and their Beneficiaries based on Trust Fund records. It is also recognized and acknowledged that those records could be incorrect due to: (a) Participating Employers reporting individuals who are not eligible for participation; (b) Participating Employers reporting incorrect names or incorrect social security numbers; (c) Participating Employers reporting more (or less) than the hours of Contributions required to be reported; (d) delinquent employer reports; (e) Participating Employees or Beneficiaries submitting incorrect of false Benefit applications; (f) recording or computation errors by the administrative agent; (g) computer errors; or (h) other similar circumstances. The Trustees shall have the authority to correct the Trust Fund records whenever errors are discovered and to determine participation, adjust eligibility credits or Benefits, or seek the recovery of Benefit overpayments, as they may determine.

25. Participation Agreements

The Trustees shall have the authority to create and distribute Participation Agreements, at the expense of the Trust Fund, by the terms of which a Participating Employer acknowledges its obligation to make Contributions to the Trust Fund and subscribes to the terms and provisions of this Trust Agreement.

26. Participation in Certain Non-Profit Organizations

The Trustees shall have the authority to participate in non-profit foundations, corporations, councils, committees, or other organizations that have as their purpose: (a) the alleviation of physical or mental disease, or of other conditions or hazards that require the care or service of being paid for by the Trust; or (b) the improvement in the availability of, and quality of, medical care, or of other care or service being paid for by the Trust, or the reduction in the costs of such care or services. If the Trustees act to participate in any such non-profit organization, the membership or participation fees of the organization shall be chargeable to the Trust Fund.

Further, to the extent that it is not prohibited by applicable law, the Trustees may make loans, grants, or donations to any such non-profit organization, in reasonable amounts, out of the uncommitted reserves of the Trust Fund.

27. Participation in Non-Profit Educational Organizations

The Trustees shall have the authority to participate in non-profit foundations, corporations, councils, committees, or other organizations which sponsor educational programs or provide educational materials pertaining to the administration of Trust Funds of this nature and of employee benefit plans. If the Trustees act to participate in any such non-profit organization, the membership or participation fees of the organization shall be chargeable to the Trust Fund.

The Trustees shall also have the authority to purchase educational materials and to provide for the attendance of the Trustees, or of such of their employees (if any), as they may designate, at educational conferences and meetings. The costs of the materials and attendance shall be chargeable to the Trust Fund.

28. Reciprocity

The Trustees shall have the authority to enter into reciprocal agreements with other employee benefit trust funds providing similar benefits to those provided through the Trust Fund, for the exchange of eligibility records or monies, or for the payment of pro rata benefits, in order to protect employees who may terminate their participation in the Trust Fund and begin participation in a reciprocal trust fund, and vice versa.

29. Coordinated Administration

The Trustees shall have the authority to coordinate the administration of the Trust Fund and of the Benefits offered under the Trust with the administration of related employee benefit trust funds and benefit plans, to such extent as they may determine.

30. Mergers

It is recognized that at some time or times in the future, the Trustees may deem it in the best interest of the Trust Fund and of the Participating Employers, and Participating Employees to accept the merger of another employee welfare benefit trust fund into the Trust Fund, or to merge the Trust Fund into another employee welfare benefit trust fund.

In the event that another employee welfare benefit trust fund is to be merged into the Trust Fund, the Trustees shall have the authority to negotiate and consummate an appropriate merger agreement, and pursuant thereto, to accept a transfer of the remaining monies, assets, and liabilities from the other Trust Fund.

In the event the Trust Fund is to be merged into another employee welfare benefit trust fund, the Trustees shall have the authority to negotiate and consummate an appropriate merger agreement, and pursuant thereto, to terminate the Trust Fund and to transfer the remaining monies, assets, and liabilities to the other trust fund. However, no merger of the Trust Fund into another trust fund shall be negotiated or consummated without the written approval of the Board of Directors of the AWC.

31. Interpretation and Application of Documents

The Trustees shall have the authority to interpret and apply the provisions of this Trust Agreement, or of the Benefit plans or programs, or of their own motions, resolutions, and administrative rules and regulations, or of any contracts, instruments, or writings that they may have adopted or into which they have entered.

Article VIII
Contributions and Collections

1. Contributions

Each Participating Employer shall pay Contributions to the Trust Fund on such date and in such manner as determined from time to time by the Trustees.

2. Contribution Reporting Forms

The Trustees shall create and make available, at the expense of the Trust Fund, contribution reporting forms for the use of Participating Employers in making their Contributions.

3. Contribution Due Date

All Contributions shall be due by the date specified by the Trustees when application for participation is approved.

4. Delinquent Contributions

A Participating Employer shall be considered to be delinquent in the payment of Contributions if the Participating Employer: (a) fails to submit a contribution reporting form, and the Contributions detailed therein, by the close of business on the due date; or (b) fails to submit Contributions on behalf of all the Participating Employees for whom Contributions are required by the underlying collective bargaining agreement or Participation Agreement; or (c) fails to compute properly the Contributions according to the required contribution formula specified in the underlying collective bargaining agreement or Participation Agreement.

The Trustees shall undertake reasonable efforts, at the expense of the Trust Fund, to collect known delinquent Contributions and related claims.

5. Liquidated Damages and Interest

It is recognized and acknowledged by all parties, including the Participating Employers, that the prompt and accurate payment of Contributions is essential to the maintenance of an employee benefit trust and the Benefits and that it would be extremely difficult, if not impossible, to fix the actual expense and damage to the Trust Fund that would result from the failure to pay the required Contributions within the time provided. Therefore, such Participating Employers shall be liable, in addition, for liquidated damages of ten percent (10%) of the amount of the Contributions which are owed or fifty dollars ($50.00), whichever is greater. In addition, the delinquent Contributions shall bear interest at the rate of ten percent (10%) per annum from the due date until they are paid. The Trustees shall have the authority, however, to waive all or part of the liquidated damages or interest for good cause shown.

6. Attorney Fees and Court Costs

Further, in the event the Trustees place the account in the hands of legal counsel for collection, the delinquent Participating Employer shall be liable for reasonable attorney fees (with a minimum of $25.00), and for all reasonable costs incurred in the collection process, including court fees, audit fees, etc. The Trustees shall have the authority, however, to waive all or part of the attorney fees or collection costs for good cause shown.

7. Venue of Collection Actions

In the event a collection suit is initiated, venue of such suit may be laid in a court of competent jurisdiction (federal or state) in the county, district, or borough in which the Trust Fund has an office, at the option of the Trustees.

Article IX
Joining, Participating and Terminating Participation in the Trust

Cities and non-city entities within the state of Washington are eligible to join the Trust provided they meet certain criteria. The Board of Trustees reserves the authority to change the criteria at any time.

1. Joining the Trust

(a) Cities With 250 or More Employees

Cities with 250 employees or more that are members of the AWC are eligible to join the Trust, but are subject to the following criteria:

(i) Must be a party to a Participation Agreement.

(ii) Must commit to a minimum of 3 years of participation in the Trust.

(iii) Benefit programs will not be specifically tailored to individual cities.

(b) Cities With Under 250 Employees

Cities with under 250 employees that are members of the AWC are eligible to join the Trust and can enroll in any one (or more) of the Benefits at any time during the year if they submit the following information to the Trust:

(i) Letter of intent from the city, indicating what plans the city will be purchasing and the effective date. The effective date must be the first day of a month. The letter of intent should indicate whether the city would prefer an electronic bill or a paper billing.

(ii) Attached list of employees' names and social security numbers.

(iii) Trust Combined Enrollment Form, for each covered employee.

(iv) For life insurance and long-term disability insurance, a Standard Insurance Participation Agreement is needed. For life insurance, an evidence of insurability form may be needed.

This information should be submitted to the Trust at least 3 weeks prior to the city's proposed effective date, in order to allow for processing time and for identification cards to be generated. Once approved and before the effective date, the city must become a party to a Participation Agreement.

Effective January 1, 2012, such cities must commit to a minimum of 3 years of participation in the Trust.

(c) Non-City Membership

A non-city entity must meet certain criteria in order to be considered for entrance to the Trust.

(i) Application Criteria

If the following application criteria are met, the non-city entity's application will be reviewed by the Board of Trustees for either acceptance or rejection:

(A) A Participating City must sponsor the non-city entity.

(B) The council of the sponsoring Participating City must adopt a resolution within 6 months of the non-city entity's application date that requests membership for the non-city entity into the Trust.

(C) The non-city entity must have an agreement with a Participating City or cities or an AWC member city or cities to provide services that are traditionally provided by a city or town.

(D) The non-city entity must provide the Trust with evidence that it provides predominantly city services, including a map of the service area.

(E) The non-city entity must provide benefit claims experience history, if available. If benefit claims experience is not available, the Board of Trustees may choose not to consider the application of the non-city entity. The Board of Trustees may also apply a surcharge based upon claims experience and/or its discretion.

(F) The non-city entity must apply for membership in the Trust a minimum of one month prior to any regular Board of Trustees meeting for consideration by the Board.

(G) The non-city entity must complete and submit an AWC Trust Non-City Entity Application Form.

(H) The non-city entity must provide a list of all members of its governing board and indicate which, if any, of these members has a specific elected or appointed status as a city official.

(I) The non-city entity must not have access to insurance available through their professional service organization.

(J) Additional criteria, such as the current percentage of enrollment of non-city entity members, may be considered at any time by the Board of Trustees.

(ii) Non-city entities with 250 or more employees must meet the same criteria as cities with 250 or more employees, as set forth in Section 1(a) Cities With 250 or More Employees of this Article IX Joining, Participating and Terminating Participation in the Trust.

(iii) Non-city entities with under 250 employees must meet the same criteria as cities with under 250 employees, as set forth in Section 1(b) Cities With Under 250 Employees of this Article IX Joining, Participating and Terminating Participation in the Trust.

(iv) Non-City Entities are not eligible to serve on the Employee Benefits Advisory Committee.

(v) Non-City Entities will have access to medical retiree Plan R at the time of enrollment with the Trust (for eligible employees/retirees).

(vi) Non-City Entities and individual employees must be enrolled in an AWC Trust Regence medical plan for a minimum of 10 years to access the premium subsidized retiree plan (Selections/PPO).

(vii) Financial Impacts

Upon Board approval of membership, the Non-City Entity will be charged an annual assessment fee of $500 and a percentage of its annual premium to the Trust. This percentage is on a sliding scale, based on the number of employees covered on the medical program on January 1 of each year:

(A) Under 50 employees: .5% of its annual premium. To be remitted by June 1 each year.

(B) 51 - 100 employees: .6% of its annual premium. To be remitted by June 1 each year.

(C) 101 - 200 employees: .7% of its annual premium. To be remitted by June 1 each year.

(D) 201 - 300 employees: .9% of its annual premium. To be remitted by June 1 each year.

(E) 301 - 400 employees: 1% of its annual premium. To be remitted by June 1 each year.

(F) 401 - 500 employees: 1.2% of its annual premium. To be remitted by June 1 each year.

(G) 501 or more employees: Must be reviewed by the Board of Trustees to determine continued participation - including addressing appropriate impact fees.

The above rates are subject to review and/or change by the Board of Trustees at any time.

2. Participating in the Trust

All Participating Employers are subject to and must adhere to the Underwriting Rules, which are incorporated herein by reference. If there is any conflict between the Underwriting Rules and the terms governing participation, eligibility and waiting periods contained in a master group contract between the Trust and an insurance carrier, the terms of the master group contract shall apply.

3. Terminating Participation in the Trust

(a) Participating Cities with 250 or More Employees

Participating Cities described in Section 1(a) may terminate participation in the Trust in accordance with (i) or (ii) as follows:

(i) For the 2011 calendar year only, by providing written notice to the Trust not less than 12 months in advance of the effective date of termination. For purposes of this subsection 3(a)(i), "effective date of the termination" is 12 months following the date of the Participating City's notice of termination.

(ii) Effective January 1, 2012, by providing written notice to the Trust a minimum of 12 months in advance of the effective date of termination. For purposes of this subsection 3(a)(ii) "effective date of termination" is December 31 only. Therefore, written notice must be provided to the Trust by the January 1 prior to the December 31 on which such Participating City wishes to terminate participation.

(b) Participating Cities with Under 250 Employees

Effective January 1, 2012, Participating Cities described in Section 1(b) may terminate participation in the Trust by providing written notice to the Trust a minimum of 6 months in advance of the effective date of termination. For purposes of this subsection 3(b), "effective date of termination" is December 31 only. Therefore, written notice must be provided to the Trust by the July 1 prior to the December 31 on which such Participating City wishes to terminate participation.

(c) Non-City Entities

Non-City Entities may terminate participation in the Trust in accordance with (i), (ii), or (iii) as follows:

(i) For the 2011 calendar year only, a Non-City Entity described in Section 1(c)(ii) may terminate participation in the Trust by providing written notice to the Trust not less than 12 months in advance of effective date of termination. For purposes of this subsection 3(c)(i), "effective date of the termination" is 12 months following the date of the Non-City Entity's notice of termination.

(ii) Effective January 1, 2012, a Non-City Entity described in Section 1(c)(ii) may terminate participation in the Trust by providing written notice to the Trust a minimum of 12 months in advance of the effective date of termination. For purposes of this subsection 3(c)(ii), "effective date of termination" is December 31 only. Therefore, written notice must be provided to the Trust by the January 1 prior to the December 31 on which such Non-City Entity wishes to terminate participation.

(iii) Effective January 1, 2012, a Non-City Entity described in Section 1(c)(iii) may terminate participation in the Trust by providing written notice to the Trust a minimum of 6 months in advance of the effective date of termination. For purposes of this subsection 3(c)(iii), "effective date of termination" is December 31 only. Therefore, written notice must be provided to the Trust by the July 1 prior to the December 31 on which such Non-City Entity wishes to terminate participation.

(d) Termination by the Board of Trustees

Notwithstanding Article IX Sections 3(a), (b) and (c) above, effective January 1, 2012, the Board of Trustees may terminate a Participating Employer's participation in the Trust:

(i) for cause;

(ii) when required by law; or

(iii) at its discretion by providing written notice to the Participating Employer a minimum of 4 months in advance of the effective date of termination. For purposes of this subsection (d)(iii), "effective date of the termination" is 4 months following the date of the Board of Trustees' notice of termination.

Article X
Hearing and Arbitration

1. Procedures to Be Followed

The Trustees and the Participating Employees and their Beneficiaries shall follow these hearing and arbitration procedures.

The procedures specified in this Article shall be the sole and exclusive procedures available to a Participating Employee or Beneficiary who is dissatisfied with an eligibility determination or Benefit award, or who is otherwise adversely affected by any action of the Trustees.

2. Review by Board of Trustees

All Participating Employees or Beneficiaries who apply for Benefits and are ruled ineligible by the Trustees (or by a committee of Trustees, an administrative agent, insurance carrier, or other organization acting for the Trustees) or who believes they did not receive the full amount of benefits to which they are entitled, or who are otherwise adversely affected by any action of the Trustees, shall have the right to request the Trustees to conduct a review of their matters, provided that they make such a request, in writing, within sixty (60) days after being apprised of, or learning of, the action.

The Trustees shall then conduct a review at which the Participating Employees or Beneficiaries shall be entitled to present their positions and any evidence in support thereof. The Participating Employees or Beneficiaries may be represented at any such hearing by an attorney or by any other representative of their choosing. Thereafter, the Trustees shall issue a written decision affirming, modifying, or setting aside the former action.

3. Appeal to Arbitration

If Participating Employees or Beneficiaries are dissatisfied with the written decision of the Trustees, they shall have the right to appeal the matter to arbitration in accordance with the labor arbitration rules of the American Arbitration Association, provided that they submit a request for arbitration to the Trustees, in writing, within sixty (60) days of receipt of the written decision. If an appeal to arbitration is requested, the Trustees shall submit to the arbitrator a certified copy of the record upon which the Trustees' decision was made.

The question for the arbitrator shall be (1) whether the Trustees were in error upon an issue of law, (2) whether they acted arbitrarily or capriciously in the exercise of their discretion, or (3) whether their findings of fact were supported by substantial evidence.

The decision of the arbitrator shall be final and binding upon the Trustees, upon the appealing party, and upon all other parties whose interests are affected thereby.

The expenses of the arbitration shall be borne equally by the appealing party and by the Trust Fund, unless otherwise ordered by the arbitrator.

Article XI
Limitations

1. Liabilities and Debts of Trust Fund

No Signatory Party or Trustee, and no Participating Employer, Participating Employee or Beneficiary shall be responsible for the liabilities or debts of the Trust Fund.

2. Liabilities and Debts of Participating Parties

No Participating Employer shall become responsible by reason of its participation in the Trust Fund for the liabilities or debts of any other Participating Employer.

3. Personal Liabilities of Trustees

No Trustee shall incur any personal liability in connection with the administration of the Trust Fund or the Benefits, except for such liability that may be established in accordance with applicable law.

Except as may be required by applicable law, no Trustee shall be held personally liable for any breach of fiduciary responsibilities in connection with the administration of the Trust Fund or the Benefits where it is established:

(a) that the responsibilities at issue were lawfully allocated or delegated to other Trustees or fiduciaries; or

(b) that in carrying out the responsibilities at issue the Trustee reasonably relied upon the advice given by the administrative agent or by one or more of the advisors retained by the Trustees.

No Trustee shall be personally liable for a breach of fiduciary responsibilities if such breach was committed before becoming a Trustee or after ceasing to be a Trustee.

4. Judgments Against Trust Fund

Any money judgment against the Trust Fund shall be enforceable only against the Trust Fund entity and shall not be enforceable against any Trustee or other person, unless liability against the Trustee or other person, in his individual capacity, is established in accordance with applicable law.

5. Participating Parties' Rights

Except as specifically provided for in this Trust Agreement or in the Benefit plan or program documents, no Participating Employer, Participating Employee or Beneficiary shall have any right, title or interest in or to the Trust Fund, or in or to the Contributions, or in or to the benefits provided.

No Participating Employee may be entitled to receive any part of the Contributions in lieu of Benefits, nor shall a Participating Employee who does not qualify for Benefits, or that employee's employer, have any claim to the Contributions which may have been paid on the Participating Employee's behalf.

6. Cessation of Participation

In the event a Participating Employer should cease its participation in the Trust Fund, there shall be no division of any of the monies or assets of the Trust Fund, except as may be required by law.

7. Protection of Trust Fund, Contributions and Benefits

No part of the Trust Fund (including the Contributions) or the Benefits payable under the Trust shall be subject in any manner, by a Participating Employee or Beneficiary, to anticipation, alienation, sale, transfer, assignment, encumbrance, or charge, and any attempt to do so shall be null and void, provided that the Trustees may recognize assignments of benefits from a Participating Employee or Beneficiary to a doctor, hospital or other person or institution that has treated or cared for, or provided medical services or goods to, the Participating Employee or Beneficiary.

Further, no part of the Trust Fund (including the Contributions) or the Benefits payable under the Trust shall be liable for the debts of a Participating Employee or Beneficiary, nor be subject in any manner to garnishment, attachment, lien, charge, or any other legal process brought by any person against a Participating Employee or Beneficiary, and any attempt to do so shall be null and void.

8. Reliance Upon Written Documents

The Trustees may act upon any written letter, report, certificate, instrument, or other document submitted to them by any Participating Employer, labor organization, Participating Employee or Beneficiary, or by any other person, where the document appears to be genuine and to be signed by the proper person or persons, and the Trustees shall be under no duty to make any investigation or inquiry as to any statement contained in any such document.

9. Agents of Trust Fund

The Trust Fund is an entity legally separate and apart from Participating Employers and the Association. Accordingly, unless authorized in a motion or resolution of the Board of Trustees, no Participating Employer, the Association, nor any individual employed thereby, shall have any authority to act or function for or on behalf of the Trust Fund or as an agent thereof. Likewise, except as otherwise provided in this Trust or unless authorized in a motion or resolution

of the Board of Trustees, no individual Trustee shall have any authority to act or function for or on behalf of the Trust Fund or as an agent thereof.

Article XII
Miscellaneous

1. Trust Fund Offices

The Trust Fund shall maintain a principal office in Olympia, Washington, and sub-offices, as necessary, in such locations as the Trustees may determine.

2. Applicable Laws and Regulations

This Trust Agreement shall be interpreted, and the Trust Fund shall be administered, in accordance with laws of the state of Washington, HIPAA, the Affordable Care Act, and other applicable statutes and regulations, as such statutes and regulations presently exist or as they may hereafter be amended.

References herein to particular sections of the above-mentioned statutes shall include any regulations pertinent to these sections and any subsequent amendments to either the sections or the regulations.

3. Service in More Than One Fiduciary Capacity

Any Trustee or other person who is a fiduciary may serve the Trust Fund in more than one fiduciary capacity.

4. Notices

Any written notice permitted by this Trust Agreement shall be delivered personally or sent by certified mail (postage prepaid, return receipt requested) or by a recognized US overnight carrier, and will be addressed as follows:

AWC Employee Benefit Trust
Attn: President, AWC Employee Benefit Trust Board of Trustees
c/o Association of Washington Cities
1076 Franklin Street, S.E.
Olympia, WA 98501

5. Severability

If any provision of this Trust Agreement, or of the Trust's Benefits, is held to be illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining portions of the Trust Agreement, or of the Trust's Benefits.

6. Titles and Words

The titles of the various articles and sections of this Trust Agreement are inserted solely for convenience of reference and are not a part of, nor shall they be used to construe, any term or provision hereof. Whenever any words are used herein in the masculine gender, they shall be construed as though they were used in the feminine gender, and words in singular form shall be construed as though they were used in the plural form, in all cases where they would so apply.

7. Accounting Period

The annual accounting period for the Trust shall be the twelve-month period commencing January 1 and ending the following December 31.

8. Nondiscrimination

To the fullest extent possible, the Trustees shall treat alike all persons who are similarly situated.

Article XIII
Amendments and Termination

1. Amendments

This Trust Agreement may be amended at any time by action of the Board of Trustees.

In no event shall such amendment cause this Trust to be used for any purpose other than the payment of Benefits to Participating Employees and their Beneficiaries or permit the net earnings of the Trust Fund to inure, other than by payment of benefits, to the benefit of any entity or individual.

2. Termination

This Trust Agreement may be terminated at any time by action of the Board of Trustees approved in writing by the Board of Directors of the Association.

3. Allocation Upon Termination

Upon the termination of this Trust Agreement, the Trustees shall wind up the affairs of the Trust Fund. Where the termination occurs as a result of a merger, as authorized by Article VII, Section 30, any and all monies and assets remaining in the Trust Fund, after payment of expenses, shall be transferred to the Trust Fund with which the merger has been negotiated. With respect to any other termination, any and all monies and assets remaining in the Trust Fund, after the payment of expenses, shall be used for the continuance of the then existing Trust Benefits, until such monies and assets have been exhausted, unless some other disposition is required under applicable laws.

The assets of the Trust Fund upon such termination shall be used solely for providing benefits to Participating Employees and their Beneficiaries and no part of the net earnings of the Fund shall inure, other than by payment of benefits, to the benefit of any entity or individual.

In no event shall any of the remaining monies or assets be paid to or be recoverable by any Participating Employer.

4. Continuation of Powers and Duties of Trustees

From and after the date of the termination of the Trust and until the final distribution of the assets of the Trust Fund, the Trustees shall continue to have all the powers and duties provided under the Trust Agreement which are necessary and expedient for the orderly liquidation and distribution of the assets of the Trust Fund.

Appendix I

President
Karen Rogers
Councilmember, Port Angeles

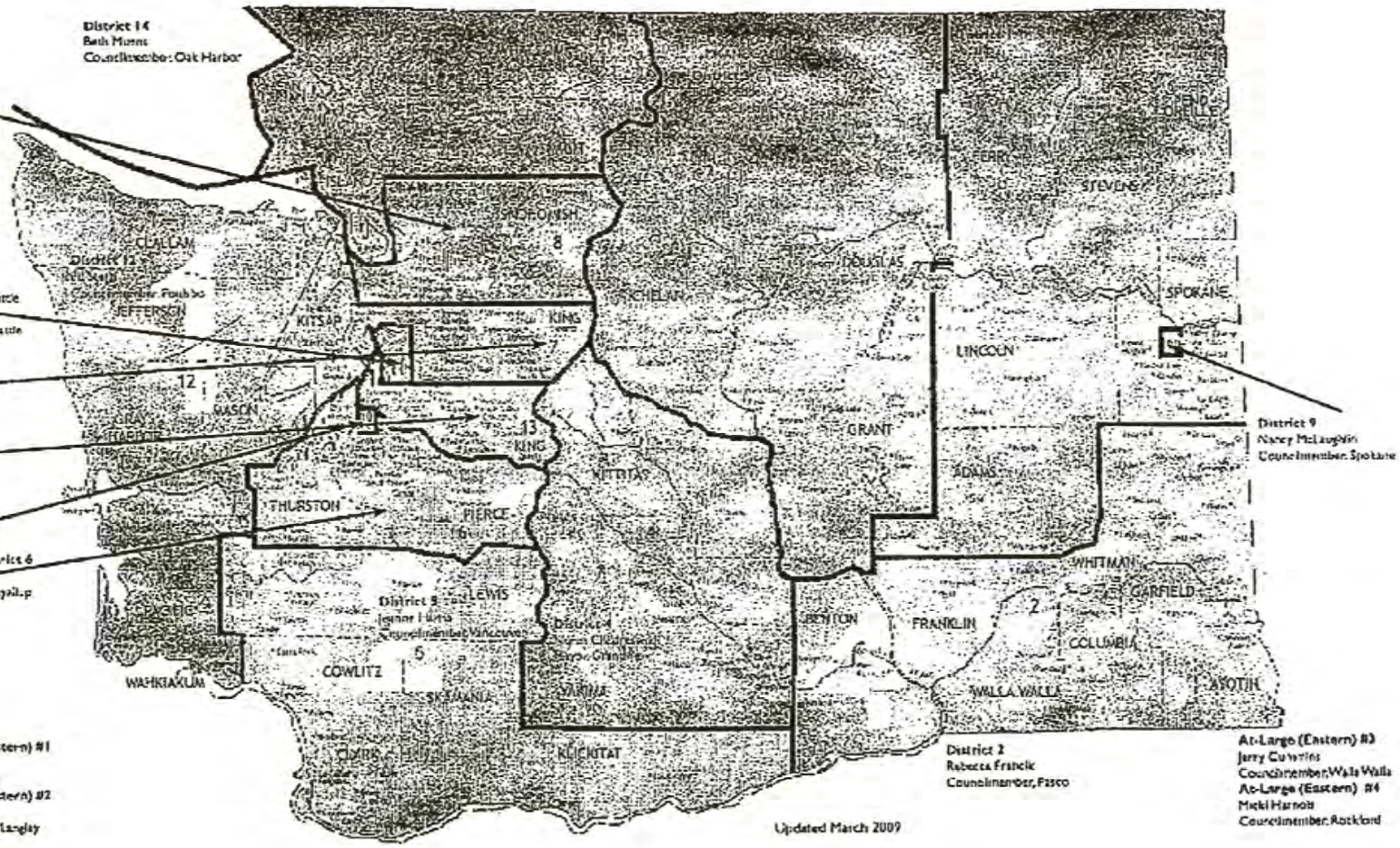
Vice President
Glenn Johnson
Mayor, Pullman

Past President
Richard Munson
Mayor, Spokane Valley

ASSOCIATION OF WASHINGTON CITIES

Board of Directors Districts

City/County Management Association
Ben Yazici
WCMA President
Andrew Neiditz
WCMA Past President



Updated March 2009

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Signature Page to the Association of Washington Cities Employees Benefit Trust, amended and restated effective July 1, 2013.

By: _____
Don Gerend

Title: Chair

By: _____
Craig George

Title: Vice Chair

By: _____
Joe Gavinski

Title: EBAC Chair

By: _____
Angie Chaufty

Title: EBAC Vice Chair

By: _____
H. Dean Maxwell

Title: Northwest Region Trustee

By: _____
Tom Trulove

Title: Northeast Region Trustee

By: _____
Paul Greenlee

Title: Southwest Region Trustee

By: _____
Glenn Johnson

Title: Southeast Region Trustee

AWC
ASSOCIATION OF WASHINGTON CITIES
EMPLOYEE BENEFIT TRUST

Association of Washington Cities
1076 Franklin Street SE
Olympia, WA 98501

360-753-4137

www.awcnet.org/employeebenefits