AWC EMPLOYEE BENEFIT TRUST

1076 Franklin Street SE • Olympia, WA 98501-1346 • 360.753.4137 • 1.800.562.8981

awcnet.org

September 3, 2013

Dear AWC Employee Benefit Trust Member:

On July 25, 2013, after months of research and consideration, the AWC Employee Benefit Trust Board of Trustees voted to move from a fully insured benefit program to a self-insured model. Among a variety of advantages and opportunities that goes along with self-funding, is our projection of a **0% increase for those covered by the Trust's Regence/Asuris Medical, Group Health Medical, WDS Dental, and VSP Vision self-insured plans for 2014**.

In order to conduct business as a self-insured program, we are now required to comply with RCW 48.62 and WAC 200-110. This involves following the state law and rules administered by the Washington State Risk Manager. One of those requirements is that each member must approve, by resolution, an Interlocal Agreement authorizing you to participate in the self-insured program.

Enclosed with this letter is the Interlocal Agreement and a sample council/board resolution, and fact sheet. **We ask that you please calendar these items on your next governing-body agenda for adoption, and return signed copies of the Interlocal Agreement and the resolution to the AWC Employee Benefit Trust no later than November 15, 2013.**

Documents can be mailed, scanned and emailed, or faxed to Luann Hopkins, AWC Chief Operating Officer, as follows:

Mail: **Luann Hopkins, COO**
Association of Washington Cities
1076 Franklin Street SE
Olympia, WA 98501

Email: Luannh@awcnet.org
Fax: **Luann Hopkins, COO at 360-753-0149**

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CITY OF WOODLAND

Members who do not return the signed Interlocal Agreement and Resolution will not be eligible to purchase medical, dental, and vision benefits from the Trust as of January 1, 2014, and will not be able to take advantage of the projected favorable rates.

If you have questions, or wish to request a representative from the AWC to attend your council/board meetings to help explain these changes, please contact Luann Hopkins or Carol Wilmes at 360-753-4137.

Sincerely,

Craig George
Chair, AWC Employee Benefit Trust
Board of Trustees

Mike McCarty
Chief Executive Officer
Association of Washington Cities

AWC Employee Benefit Trust

Self-Funded Health Care Program

Fact Sheet

On August 26, 2013, the State Risk Manager approved the AWC Trust's application to self-insure the medical plans through Group Health and Regence Blue Shield, the Vision Service Plan, and Washington Dental Service plan effective January 1, 2014. The remaining insurance products will continue to be fully-insured. This fact sheet is intended to provide background of the Trust and insight into the Board of Trustee conversation ultimately leading to the decision to self-insure.

Trust history

The AWC Employee Benefit Trust is a Voluntary Employees' Beneficiary Association (VEBA), as defined in IRC 501 (c) (9). The Trust was formed in 1970 by the Association of Washington Cities to offer affordable coverage for its cities and towns with participants in Law Enforcement Officers and Fire Fighters Pension Plan 1 (LEOFF 1). Since that time, the Trust has broadened its insured membership to include all walks of municipal government and their families. Today, the Trust serves 275 participating entities and insures approximately 36,000 employees and family members.

The Trust currently offers medical, dental, vision, employee assistance program, life insurance, long-term disability insurance, and long-term care insurance. In 1984, the Board of Trustees proved to be true visionaries in the health care industry and adopted an innovative health promotion project (wellness) as a cost containment tool. Today, the award-winning Total Health Management services of the Trust (available to Regence and Group Health medical subscribers) continues to reduce health care costs and improve quality of life for our insured members.

The AWC Trust, one of the first of its kind as a municipal league pool, is nationally recognized for excellence and innovation. Industry respect and long-term, stable relationships with insurance carriers, vendors, and consultants have benefited the pool members with quality health care programs, trust-worthy technical assistance and financial predictability. Customer advocacy and member-driven decisions continue to be the cornerstone of the Trust mission, vision and goals.

Planning retreat priority – self-insurance

As one of the highest priorities emerging from the 2011 Long Range Strategic Planning Retreat, the Trustees dedicated its 2013 meetings to learning about the world of self-insurance; hearing in-depth analysis from benefit, legal and actuarial consultants; and weighing the pros and cons of self-insuring the health care plans.

Self-Insurance means a formal program of advance funding and management of entity financial exposure to a risk of loss that is not transferred through the purchase of an insurance policy or contract.

On July 25, Trustees instructed staff and consultants to proceed with a self-insurance application to the State Risk Manager. Approval was granted on August 26, and the Trust will transition its **Regence/Asuris, Group Health, WDS and VSP** plans to self-insurance effective January 1, 2014.

Cost savings

One of the overriding factors in the decision is the potential for cost savings to members. Self-insurance allows the Trust to eliminate several taxes mandatory for fully insured plans including a 2% state tax and a 2% – 3% new 2014 federal insurer tax. While our retention and stop loss fees were extremely competitive as a fully insured plan, these fees were also lowered with the aid of a competitive self-insurance marketplace. Along with all these cost savings, we'll be able to focus on our own trend line, which has been lower than carriers' trends for many years. This bodes well for not only this year's rate projections, but future year's as well.

The transition to self-insurance will not change the manner in which plans are rated (i.e., the Trust will continue to pool all member claims rather than develop rates based upon individual employer loss experience). However, the discussion of large city claims rating is slated to be discussed by the Board of Trustees in 2014, and being self-insured certainly enables a broader scope of analysis.

With all these factors considered, the Trust's 2014 rate ***projections*** are very favorable with 0% increase projected for most plans.

Self-insurance plans		Fully-insured plans	
Regence/Asuris Medical	0%	LEOFF I Medicare Advantage Plan	8%
Group Health Medical	0%	Willamette Dental	0%
WDS Dental	0%	Life & LTD	0%
VSP Vision	0%	EAP	0%

Final rates will be adopted by the Board of Trustees on September 26. Look to our website by end of day on Friday, September 27, for an updated posting.

WellCity rate impact

The WellCity discount is 2% less than the base rate. Ongoing WellCity Award recipients – your current rate will be 2% less than the base rate – which means your rate stays the same. For cities earning the 2013 WellCity Award for the first time, you'll get a 2% discount on the 2014 base rate, meaning your rate this year is actually a 2% savings from your 2013 rate.

Employee impacts

For now, know that the impact to employees and their family members is minimal to none:

- Benefit plan designs remain the same, including the mandated benefit changes under the ACA for 2014
- Employees have access to the same provider networks.
- Claims will be processed by the same carriers.
- It is possible that a new ID card will be generated.

Member Employer impacts

Impact to employers is equally minimal:

- Members will still be part of the Trust's large pool, which will now be self-insured.
- The monthly bill will still be generated by NWA and due at the same time as current (by the 10th of the month).
- The most notable change for employers will be the council-adoption by resolution of an Interlocal Agreement between the jurisdiction and the AWC Trust.

Interlocal Agreement

RCW 48.62 authorizes local government entities to self-insure for health care benefits, and delegates rule-making authority and oversight to the Washington State Risk Manager. Chapter 200-110 Washington Administrative Code sets forth that members of the health care program (pool) must be a signatory to the health care program's Interlocal Agreement, and the Interlocal Agreement must be adopted by the local governing body by resolution.

In order for the Trust to meet the state deadlines, member jurisdictions must provide the adopted resolution and Interlocal Agreement no later than **November 15, 2013.**

AWC Employee Benefit Trust Health Care Program Reserve Funding

Self-insured health care programs must establish reserves necessary to fund the termination costs of the program and to insulate the program against unusual severity or frequency of claims. The Board of Trustees have pledged reserve funds pursuant to actuarially established amounts to satisfy this requirement.

Health Care Program 2014 Financials *at a glance*

Beginning Program Deposits/Assets[1]	$15,420,000
Projected Employer Contributions	$174,672,167
Projected Employee Contributions	$19,408,091
Other Projected Revenues	$308,400
Total Projected Revenues	$194,388,586
Projected Claims Payments	$179,155,972
Projected Operational Expenses[2]	$12,334,777
Projected Stop Loss Insurance Policy	$813,875
Projected Wellness Program Expenses	$1,775,561
Total Projected Annual Expenses	$194,080,186
Projected Year-End Program Assets/Reserves	$15,728,400

[1] *Projected reserves as of December 31, 2013 are $75,471,971 of which $15,420,000 are pledged as beginning health care program assets.*

[2] *Includes claims adjudication, broker fee-for-service, actuary, legal, consultants, and operations.*

Questions

As always, the Trust is committed to communicating with members. You can expect ongoing communications in upcoming ***For Your Health*** e-newsletters. If you have any questions regarding the Trust's decision to self-insure, the new rate projections, or the Interlocal Agreement feel free to contact an AWC Trust staff member at 1-800-562-8981 or benefitinfo@awcnet.org.

[INSERT NAME OF CITY OR TOWN or NON-CITY ENTITY]
RESOLUTION NO. _____

_____, 2013

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, the Trust and Participating Cities and Towns and Non-City Entities have determined that it is in the best interest of Participating Cities and Towns and Non-City Entities 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 other insured health and welfare benefit 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 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

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

WHEREAS, **[INSERT NAME OF CITY OR TOWN or NON-CITY ENTITY]** believes it is in the best interest of the Health Care Program to allow the Trust to manage the HCP Account;

NOW THEREFORE RESOLVED, that the Interlocal Agreement creating the Health Care Program is hereby adopted.

RESOLVED, that by adopting such Agreement, **[INSERT NAME OF CITY OR TOWN or NON-CITY ENTITY]** acknowledges that it shall be subject to assessments as required by the Health Care Program.

_____

By:

ATTEST:

_____

Dated:_____

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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	**Participating Employer**
Signature:	Signature: _____
Name: **Michael A. McCarty**	Name (print): _____
Title: Chief Executive Officer	Title: _____
Date: August 30, 2013	Date: _____

Effective Date: January 1, 2014