



CITY OF  
ST. CHARLES  
ILLINOIS • 1834

**AGENDA ITEM EXECUTIVE SUMMARY**

Agenda Item number: 5a

Title:

Recommendation from the Human Resources Director for the City to join the Intergovernmental Personnel Benefit Cooperative (IPBC)

Presenter:

Jennifer McMahon, Director of Human Resources

Meeting: Government Operations Committee

Date: January 3, 2022

Proposed Cost: \$4,971,424

Budgeted Amount: Will be in FY2023

Not Budgeted:

**Executive Summary** *(if not budgeted please explain):*

Attached to the agenda packet is a memo outlining the justification to move the administration of the City’s benefits (not including pension) to the Intergovernmental Personnel Benefit Cooperative (IPBC) primarily to strategically insulate the City from the premium cost increases of stoploss insurance. Much like what was done when the City moved from self-insured in workers compensation to a benefit pool (Illinois Public Risk Fund – IPRF), staff is recommending the City move to a benefit pool for employee health, dental, vision, and stoploss coverage. This pool has a long history of providing Illinois municipalities with more financial stability than offered by the commercial insurance market. Remaining self-insured would result in an increase cost of 6.6% for health and 3.3% for dental as opposed to a 3.4% and 1.5%, respectively with the IPBC. Moving to this pool may also allow the City to realize some soft costs in administration of benefits, as a self-insured model requires much of the administration to be done in-house.

**Attachments** *(please list):*

Memo from HR Director, Summary of Cost Comparison, and Draft Ordinance

**Recommendation/Suggested Action** *(briefly explain):*

Recommend the City Council Approve an Ordinance Authorizing the Acceptance of the Contract and By-Laws Document of the Intergovernmental Personnel Benefit Cooperative (IPBC) and Authorizing Membership of the City of St. Charles in the IPBC.



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## Human Resources Department

**To:** Government Operations Committee  
**CC:** Heather McGuire, City Administrator  
Colleen Lavery, Assistant Director of Finance  
**From:** Jennifer McMahan, Director of Human Resources *JM*  
**Date:** December 28, 2021  
**Re:** Intergovernmental Personnel Benefit Cooperative (IPBC)

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Human Resources and Finance staff work with the City's benefits consultant, Gallagher Benefits Services, annually to evaluate the cost and administration of employee benefits (including health/Rx, dental, vision, life, flexible spending, health savings, employee assistance program, and stoploss insurance). The City has historically been self-insured, meaning that it assumes the risk and pays claims directly, up to \$100,000. At that point, the City's stoploss insurance policy takes over payment.

Over the last several years, premiums for stoploss insurance have sharply and consistently increased, outpacing medical trend (the percentage of change in the cost of health care) or inflation. There is no evidence that this trend will reverse. The City's current annual premium is about \$650,000 with projected annual increases of between 25% and 30% in coming years. Forgoing stoploss insurance would require the City to pay single claims above \$100,000 (with no cap) from City coffers. The number of high claims this plan year is 19.

Stoploss insurance is increasingly critical to smaller plans due to an increase in frequency and costs of catastrophic claims, as well as the Affordable Care Act's (ACA) elimination of annual and lifetime limits on claims for essential health benefits. One percent of claimants generate 25% to 35% of claims. According to one broker, "[T]he advancement in highly complex medical services that extend the lives of terminally ill patients, the cost of specialty prescription drugs which can run well into six figures or beyond, and additional health threats (e.g. coronavirus), have caused losses to steadily increase...[T]here appear to be fewer new entrants looking to scoop up that business at a loss. So, we have repeatedly found ourselves in situations requiring 30%, 50%, and in some rare cases, even larger increases."<sup>1</sup>

With these rising costs in medical care, prescriptions (particularly specialty drugs), and stoploss insurance, it is unwise for the City to continue to manage these cost exposures on its own. The City would benefit from protection that comes with banding together in a group. The Intergovernmental Personnel Benefit Cooperative (IPBC) provides this protection in several ways.

- **Spreads Risk:** The pooling of risk is fundamental to insurance. Large pools of similar risks exhibit stable and measurable characteristics that enable actuaries to estimate future costs with an acceptable degree of accuracy. This, in turn, enables actuaries to determine premium levels that will be stable over time, relative to overall

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<sup>1</sup> <https://epicbrokers.com/insights/the-hardening-stop-loss-market/>

trends. Pooling risks together allows the costs of those at higher risk of high medical costs to be subsidized by those at lower risk. Losses have less of an impact among the larger number of members.

- **Purchasing Power:** The value of a sum of money. IPBC is a more attractive client because of the number of things they have to purchase. Firms will offer lower prices to attract their business. IPBC has about 17,000 lives that need to purchase health care services and prescriptions. What also arises are economies of scale; i.e. the greater the quantity of a good produced, the lower the per-unit fixed cost because these costs are shared over a larger number of goods.
- **Low claims are savings in a self-insured environment but there is risk.** Low claims are profit in a fully insured environment, but the insurance company assumes all the risk. Pools merge the best of both worlds - retain savings and relish in the protection of shared risk.
- **The pool establishes the rates.** The pool sends the City one bill versus multiple bills from the various benefit providers. They can also provide ACA reporting services, which is extremely time consuming. These are soft cost savings in staff time where HR, IS, and Finance has the opportunity to become more efficient and better leverage staff time.
- **The pool offers online open enrollment through their benefit portal.** Setting up the City's in-house platform each year is time consuming, detailed work that involves multiple staff members in HR, IS, and Finance. It's mission critical work that has many opportunities for error in its current state. Any chance to improve the effectiveness and efficiency of this annual process will be beneficial.

In addition to better insulating the City from the financial impacts of high claims or stoploss insurance and the expected soft cost savings, IPBC will offer the City savings in hard dollars. Medical trend over the last decade has been 7.7%. IPBC's average rate of adjustment has been 3.6%. They recently negotiated a significant savings on prescription coverage leveraging their purchasing power. That has resulted in attractive rates for the City compared to the projected costs when remaining self-insured. Remaining self-insured would result in an increase cost of 6.6% for health and 3.3% for dental as opposed to a 3.4% and 1.5%, respectively in the IPBC. Further, once the City reaches its minimum reserves required by IPBC (two months' worth of claims), any savings above that can be used by the City as they see fit. Conversely, the savings can remain within IPBC's investment portfolio. This portfolio allows the City to access investment vehicles not available to the City directly and may result in healthier returns. Finally, IPBC builds into each member's rates a wellness fee and has built up a wellness reserve fund. Those funds are rebated back to the member when they conduct an annual screening and implement a wellness program. The City already has these things in place and expects to get fully reimbursed for the annual wellness screening and get an additional \$100 per participant because of its wellness programming. It makes financial sense to join IPBC.

On the employee side, the transition will be virtually seamless. All the carriers and networks, except the prescription benefits manager, will remain the same. Plan designs will also remain the same. Regardless, HR staff will be educating employees during January on the IPBC and new prescription benefits manager.

The HR Director recommends joining the IPBC beginning plan year 2022/23, which starts on May 1, 2022. The City Administrator and Assistant Finance Director support this recommendation. As a side note, the City Administrator, Assistant Finance Director, Human Resources Director and incoming Finance Director have had positive past experience with IPBC in other communities.



**City of St. Charles**  
**Standalone vs. IPBC Comparison**

Line of Coverage	Cost Category	Standalone	IPBC	Notes
Medical	Projection Period	5/1/22 - 4/30/23	5/1/22 - 6/30/23	
	Stop Loss Level	\$100,000	\$50,000	\$50,000 represents start of IPBC banded layer
	Projected Claims PEPM	\$1,326.06	\$1,421.54	IPBC claims include current banded layer and projected Rx rebates
	Medical admin fee	\$59.56	\$54.04	Current St. Charles fee + 5%, current IPBC fee
	Stop Loss (ISL)	\$282.72	\$50.45	Current St. Charles fee + 30%, current IPBC fee +25% effective 7/1/22
	Stop Loss (ASL)	\$1.61	\$0.84	Current St. Charles fee + 7%, current IPBC fee +10% effective 7/1/22
	Rx Rebates	-\$84.82	N/A	Current St. Charles level, included in claims portion of IPBC quote
	Data Warehousing Fee	N/A	\$0.70	Current IPBC Fee
	IPBC Fee	N/A	\$20.57	Current IPBC Fee moving to \$23.30 PEPM 7/1/22
	Additional Fees	\$0.52	N/A	Represents virtual visits and third party stop loss fee
	PCORI Fee	\$0.55	N/A	PCORI Fee not included in IPBC projection
	GBS Fee	\$17.93	\$2.32	Current St. Charles Fee, current IPBC fee absorbed into IPBC fee 7/1/22
	Total PEPM	\$1,604.13	\$1,550.46	
Assumed Enrollment	251	251		
<b>Total Annualized</b>	<b>\$4,831,634</b>	<b>\$4,669,986</b>		
Other Medical Fees	Business Solver Fee	N/A	\$0.44	Current IPBC Fee absorbed into IPBC fee 7/1/22
	Wellness Fee	\$0.00	\$9.20	Current St. Charles costs, Current IPBC Fee
	Screening Cost	\$7.28	\$0.00	Current Fee assuming 75% of active EE screened. IPBC screening cost absorbed by Wellness Fee
	Incentive Payment	\$0.00	-\$5.60	Assumes \$100 incentive payment in IPBC for each screen employee
	Total Other Fees	\$7.28	\$4.04	Current IPBC Fee
	Assumed Enrollment	251	251	
<b>Total Annualized</b>	<b>\$21,938</b>	<b>\$12,161</b>		
<b>Total Medical</b>	<b>Total Annualized</b>	<b>\$4,853,572</b>	<b>\$4,682,146</b>	
Dental	Projection Period	5/1/22 - 4/30/23	5/1/22 - 6/30/23	
	Projected Claims PEPM	\$84.50	\$84.84	
	ASO Fee	\$4.71	\$2.63	Current St. Charles Fee +5%, Current IPBC Fee
	GBS Fee	N/A	\$0.19	Current IPBC Fee absorbed into operating model fee 7/1/22
	Total PEPM	\$89.21	\$87.66	
	Assumed Enrollment	275	275	
<b>Total Annualized</b>	<b>\$294,393</b>	<b>\$289,278</b>		
<b>Total</b>	<b>Total Annualized</b>	<b>\$5,147,965</b>	<b>\$4,971,424</b>	

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

*Please see your policy or contact us for specific information or further details in this regard.*

**City of St. Charles, Illinois**  
**Ordinance No. 2022 \_\_\_\_\_**

**An Ordinance Authorizing the Acceptance of the Contract and By-Laws Document of the Intergovernmental Personnel Benefit Cooperative and Authorizing Membership in the IPBC**

WHEREAS, the City of St. Charles strives to provide competitive employee benefits that attract and retain top quality employees while also being fiscally responsible to the citizens of St. Charles; and

WHEREAS, a number of Illinois municipalities and sub-pools have entered into an intergovernmental agreement and created the Intergovernmental Personnel Benefit Cooperative (“IPBC”); and

WHEREAS, the purpose of the IPBC is to provide economies of scale and risk pooling that will allow members more financial stability than offered by the commercial insurance market in a fully transparent environment; and

WHEREAS, the IPBC has existed for several decades, and has provided benefit coverages for the officers and employees of many Illinois municipalities; and

WHEREAS, the City of St. Charles wishes to become a Member of the IPBC; and,

WHEREAS, the obligation of membership requires acceptance by the Corporate Authorities of St. Charles of the Contract (attached as Appendix A) and By-Laws document (attached as Appendix B) of the IPBC as an intergovernmental contractual obligation to which St. Charles will become bound;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF ST. CHARLES, KANE ND DUPAGE COUNTIES, ILLINOIS, IN THE EXERCISE OF ITS HOME RULE POWERS, as follows:

SECTION 1: The City of St. Charles, as of the starting date at which admission to membership was or is granted by the IPBC Board of Directors, shall become a Member of that intergovernmental cooperative.

SECTION 2: The terms and conditions of that membership shall be such terms and conditions as were imposed by the Board of Directors of the IPBC in the acceptance motion, and the contractual obligations under the terms of the Contract and By-Laws of the IPBC as such document currently exists and as it may be amended in accordance with its terms. The City of St. Charles assumes such terms and conditions.

SECTION 3: The Mayor of St. Charles, as shall be authorized, is directed to execute any documents necessary to indicate the membership of the City of St. Charles in the IPBC.

SECTION 4: This Ordinance shall be in full force and effect upon its passage, approval, and publication in pamphlet form, if required by law.

PRESENTED to the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois this 18<sup>th</sup> day of January, 2022.

PASSED to the City Council of the City of St. Charles, Kane and DuPage Counties, Illinois this 18<sup>th</sup> day of January, 2022.

APPROVED by the Mayor of the City of St. Charles, Kane and DuPage Counties, Illinois this 18<sup>th</sup> day of January, 2022.

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Lora A. Vitek, Mayor

ATTEST:

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Nancy Garrison, City Clerk

Vote:  
Ayes:  
Nays:  
Absent:  
Abstain:

DRAFT

Adopted 11/20/13  
With Amendments Noted

**FIFTH CONSOLIDATED AMENDMENT TO THE  
CONTRACT AND BY-LAWS  
INTERGOVERNMENTAL PERSONNEL BENEFIT COOPERATIVE**

ARTICLE I. Definitions and Purpose.

DEFINITIONS:

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

**ADMINISTRATIVE FUND** - A fund of monies established by the MEMBERS of the Intergovernmental Personnel Benefit Cooperative to pay for the joint administration of the personnel non-salary benefit programs offered by each MEMBER to its employees and officers and turned over for administration to the COOPERATIVE.

**ADMINISTRATOR** - An independent contractor of the COOPERATIVE employed by the Board of Directors to administer the personnel benefit programs of the various MEMBERS of the COOPERATIVE.

**BENEFIT FUND** - A fund of monies established by the MEMBERS of the Intergovernmental Personnel Benefit Cooperative to fund certain benefits granted by the individual MEMBERS to their respective officers and employees and to purchase excess, aggregate, or other insurance.

**BENEFITS** - Non-salary payments made to employees or officers, including but not limited to payments or reimbursements of expenses arising out of an illness or an accident and life insurance proceeds. The units of local government which participate in the COOPERATIVE have determined not to purchase insurance coverage for benefit payments below certain high limits but rather to rely upon their pooled financial capabilities

to pay benefits within the financial obligations of the COOPERATIVE and to purchase some insurance to protect against catastrophic and certain other benefit claims.

**CASH FLOW ACCOUNT** - A fund of monies established by the MEMBERS of the Intergovernmental Personnel Benefit Cooperative to fund needed cash flow in the Benefit Pool. The Board of Directors shall establish, from time-to-time, the funding requirements from the MEMBERS to generally provide at least an estimated funding for the Benefit Pool, based upon IBNR calculated by or for the Administrator.

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

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**EXECUTIVE BOARD** – A Board, composed of eleven (11) members, which is responsible for implementing the policy decisions of the Board of Directors and carrying out duties specified in this Contract and By-Laws or assigned by the Board of Directors.

**EXECUTIVE DIRECTOR** – A part or full-time employee or independent contractor, who shall be selected and have his or her compensation chosen by the Board of Directors who shall administer and supervise the operations of the COOPERATIVE and make recommendations to the Board of Directors and the Executive Board in all areas where they have decision-making authority. All references to the Executive Director shall only be applicable if there is an Executive Director in place.

**HMO FUND** - A fund of monies established by the MEMBERS of the Intergovernmental Personnel Benefit Cooperative to fund certain benefits granted by the individual MEMBERS to their respective officers and employees relating to health maintenance organizations.

**LISTED ENTITIES** - Governmental bodies, quasi governmental bodies and non-profit public service entities listed by a MEMBER as having their employees and officers under a benefit program which will be administered along with that of a MEMBER by the COOPERATIVE.

**MEMBERS** - The units of local government or intergovernmental agencies established pursuant to an intergovernmental agreement composed of units of local government (sub-pool) which initially or later enter into this intergovernmental contract for the benefit of their employees and officers along with the employees and officers of other listed entities. Whenever in this agreement the phrase "units of local government," "municipality" or similar phrase is used, it shall also refer to any intergovernmental agency established pursuant to an intergovernmental agreement composed of units of local government.

**TERMINAL RESERVE FUND OR TERMINAL RESERVES** - A fund of monies retained by the Intergovernmental Personnel Benefit Cooperative on behalf of MEMBERS whose fund balances may be in excess of all financial requirements for that MEMBER.

PURPOSE:

The Intergovernmental Personnel Benefit Cooperative is a cooperative entity voluntarily established by contracting units of local government as are permitted by Article VII, Section 10 of the 1970 Constitution of the State of Illinois, and the Intergovernmental Cooperation Act and other provisions of law to jointly administer some or all of the personnel benefit programs offered by its MEMBERS to their officers and employees and the officers and employees of other governmental, quasi-governmental and non-profit public service entities with which some or all MEMBERS have separately arranged to list as if such officers and employees were employed by the MEMBER.

To the extent provided for in this Contract and By-Laws, and as approved by the Board of Directors, the Intergovernmental Personnel Benefit Cooperative shall provide benefit coverage to the officers or employees of its MEMBERS. The Intergovernmental Personnel Benefit Cooperative shall also carry out such claim reduction and educational programs as shall be authorized by its Board of Directors. The creation of the various funds established in this Contract and By-Laws are not intended by the parties to constitute the transaction of an insurance business within the State of Illinois. The intent of the parties is to separately establish benefit programs and to utilize the Intergovernmental Personnel Benefit Cooperative to achieve reduced costs of administration and insurance purchases by providing similar services to all MEMBERS and to require MEMBERS to pay for the costs of such benefits or to share such costs in the manner from time-to-time established by the Board of Directors.

ARTICLE II. Powers and Duties.

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

- (a) To employ agents, employees and independent contractors,
- (b) To lease real property and to purchase or lease equipment, machinery, or personal property necessary for the carrying out of the purpose of the COOPERATIVE,
- (c) To carry out educational and other programs relating to health, accident and other claims reductions,
- (d) To cause the creation of, see to the collection of funds necessary for the administration and operation of the COOPERATIVE,
- (e) To purchase such types of insurance as are approved by the Board of Directors,
- (f) Solely within the budgetary limits established by the MEMBERS to carry out such other activities as are necessarily implied or required to carry out the purposes of the COOPERATIVE specified in Article I or the specific powers enumerated in Article II, and in conjunction with the obligation of MEMBERS specified in Article XI.

### ARTICLE III. Participation

The membership of the COOPERATIVE shall consist of those MEMBERS and previously approved listed entities which were MEMBERS of the COOPERATIVE on July 1, 2012, and those subsequently admitted to membership and continuing as MEMBERS. Listed entities are other governmental, quasi-governmental and non-profit public service entities which MEMBERS have chosen to include within their membership in the COOPERATIVE. Such listing fulfills a public purpose in that such listed entities have so few employees and officers that they could not bear the risk inherent in offering such benefit programs on their own. In other cases, the MEMBER itself has so few employees that it requires the participation of such other listed entities for the same reason. The MEMBER which lists entities shall, however, be the sole MEMBER of the COOPERATIVE and shall be responsible for all costs and duties of membership provided herein. The MEMBER may make such arrangement as is desired with members of a sub-pool or the listed entities regarding the manner of payment, sharing of risks and duration of such arrangement. Such arrangement is not a part of this Contract and By-Laws. New MEMBERS and their listed entities and the listing of additional entities by existing MEMBERS shall be added to the COOPERATIVE only after at least the concurrence of at least two-thirds (2/3) of the entire membership of the Board of Directors and subject to the payment of such sums and under such conditions as the Board of Directors shall in each case or from time-to-time establish. The Board of Directors may establish standards for admission and assign the power to admit MEMBERS and listed entities to the Executive Board.

ARTICLE IV. Term of the COOPERATIVE.

The Intergovernmental Personnel Benefit Cooperative shall operate with fiscal years beginning on July 1<sup>st</sup> of each calendar year, and the COOPERATIVE shall continue in existence with a term ending on June 30, 2025. At the end of this multi-year period, the term of the COOPERATIVE may be extended for a multi-year period of time, or if not acted upon by the MEMBERS, it shall continue in existence from year-to-year as an intergovernmental agreement with the membership of those governmental bodies which do not provide a notice of withdrawal. The ability of an individual MEMBER of the COOPERATIVE to withdraw shall be as provided in Article XVII.

ARTICLE V. Board of Directors.

- (a) There is hereby established a Board of Directors of the COOPERATIVE. Each MEMBER unit of local government shall choose in the manner applicable to that governmental body one (1) person to represent that body on the Board of Directors and shall promptly notify the COOPERATIVE of such selection. The MEMBER may also select an alternate representative to serve when the initial representative is unable to carry out his duties. The person and alternate selected need not be an elected official of the MEMBER. The Board of Directors may from time-to-time establish other officers of the Board, in addition to those established in this Agreement, and choose the manner of selection of such officers. (b) The Board of Directors shall determine the general policy of the COOPERATIVE which policy shall be followed by all officers, agents, employees and independent contractors working for the COOPERATIVE. It shall have the responsibility for (1) Hiring of COOPERATIVE officers, agents, non-clerical employees and independent contractors, (2) Setting of compensation for all persons, firms and corporations employed by the COOPERATIVE, (3) Program approval, (4) Vendor approval, (5) Setting of fidelity bonding requirements for employees or other persons, (6) Approval of amendments to the By-Laws, (7) The acceptance of new MEMBERS and listed entities, provided, however, that the Board of Directors may assign, in whole or in part, this authority to the Executive Board and it may choose to do so under stated criteria and process mandated by the Board of Directors, (8) Approval of educational and other programs relating to claim reduction, (9) Approval of monthly and supplementary payments to the Administrative Fund and the Benefit

Fund, including that portion of the cost of insurance attributable to each MEMBER,  
(10) Any other matters not assigned to another committee, officer, independent contractor, or agent, (11) Expulsion of MEMBERS.

- (c) Each MEMBER shall be entitled to one (1) vote on the Board of Directors. Such vote may be cast only by the designated representative of the MEMBER, who shall be called a Director, or in the Director's absence by an alternate selected by the MEMBER in the same manner as specified for the selection of the principal representative. No proxy votes or absentee votes shall be permitted, but, Directors or Alternates may participate in a meeting by electronic means in accordance with law. Voting shall be conducted by voice vote unless one (1) or more MEMBERS of the Board of Directors shall request a roll call vote; provided, however, that any vote to authorize the payment of bills or which requires a greater than a majority vote for passage, shall be by roll call.
- (d) The representative selected by the MEMBER shall serve for a one fiscal year term commencing at the beginning of each fiscal year and until a successor has been selected. The representative chosen by the MEMBER may be removed by the MEMBER during the period of his or her term. In the event that a vacancy occurs in the representative or alternate representative, that MEMBER shall appoint a successor. The failure of a MEMBER to select a representative or his or her failure to participate shall not affect the responsibilities or duties of a MEMBER under this contract.
- (e) The Board of Directors, the Executive Board and any authorized committees may establish rules governing their own conduct and procedure consistent with the By-

Laws. All notices required in this Contract and By-Laws document shall be in writing.

(f) A quorum shall consist of a majority of the MEMBERS of the Board of Directors. Except as provided in Subsection (g) herein, or elsewhere in these By-Laws, a simple majority of a quorum shall be sufficient to pass upon all matters.

(g) A greater vote than a majority of a quorum shall be required to approve the following matters:

(i) Such matters as the Board of Directors shall establish within its rules as requiring for passage a vote greater than a majority of a quorum; provided, however, that such a rule can only be established by a greater than majority vote at least equal to the greater than majority percentage within the proposed rule,

(ii) The expulsion of a MEMBER shall require at least the concurrence of two-thirds (2/3) of the entire membership of the Board of Directors,

(iii) Any amendment of these By-Laws except as provided in Subsection (iv) below, shall require the concurrence of at least two-thirds (2/3) of the entire membership of the Board of Directors,

(iv) The payment of a contested employee benefit to a MEMBER by the COOPERATIVE in a manner contrary to that reported by the Administrator or the Executive Director, which is brought to the Board of Directors, shall require the concurrence of at least two-thirds (2/3) of a quorum at a Board of Directors meeting.

- (v) The approval of the benefit programs being offered, annual payments of all kinds, and the allocation of those payments among MEMBERS, shall require the concurrence of at least two-thirds (2/3) of a quorum at a Board of Directors meeting.
  
- (h) Except as provided herein, no one serving on the Board of Directors shall receive any salary or other payment from the COOPERATIVE and any salary, compensation, payment or expenses for such representative, shall be paid by each MEMBER separate from this Contract. Provided, however, that in the event the person chosen or acting as Treasurer is a member of the Board of Directors, that person may receive such compensation as is established from time-to-time by the Board of Directors. In addition, the Chair of the Board, Treasurer and such other officers as may be selected from time-to-time may submit to the Executive Board for its approval, reimbursement of expenses incurred in the pursuit of their position as officers of the COOPERATIVE. The reimbursement for such expenses, which shall be reported to the Board of Directors in the same manner as other approved payments, may include amounts advanced on behalf of the COOPERATIVE either by the officer or by a MEMBER of the COOPERATIVE.

ARTICLE VI. Board of Directors Meetings.

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(a) Regular meetings of the Board of Directors shall be held at least three (3) times a year. The dates of regular meetings of the Board of Directors shall be established at the beginning of each fiscal year. Any item of business may be considered at a regular meeting. At least one (1) meeting must be held during the first half of the fiscal year and at least two (2) meetings must be held during the second half of the fiscal year. A failure to hold these meetings, as required, shall not invalidate acts otherwise taken. Special meetings of the Board of Directors may be called by its Chair, or by any two (2) Directors. Five (5) days written notice of regular or special meetings of the Board of Directors shall be given to the official representatives of each MEMBER and an agenda specifying the subject of any special meeting shall accompany such notice. Business conducted at special meetings shall be limited to those items specified in the agenda.

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(b) The time, date and location of regular and special meetings of the Board of Directors shall be determined by the Chair of the Board of Directors or by the convening authority.

(c) To the extent consistent with these By-Laws, and except as modified by procedural rules established, Roberts Rules of Order, latest edition, shall govern all meetings of the COOPERATIVE. Minutes of all regular and special meetings of the Board of Directors and the Executive Board shall be sent to all MEMBERS.

ARTICLE VII. Cooperative Officers.

- (a) In addition to such other officers as may be established from time-to-time by the Board of Directors, the officers of the COOPERATIVE, who shall constitute the Executive Board, shall be the following 11 members: Chair, Vice-Chair, Past Chair, Treasurer, (as Chairman of the Finance Committee), Operations Committee Chair, Director representing entities with 1 to 50 lives, Director representing entities with 51 to 100 lives, Director representing entities with 101 to 200 lives, Director representing entities with 201 to 300 lives, Director representing entities with 301 to 500 lives and Director representing entities over 501 lives. The Chair, Vice-Chair, Treasurer and Operations Committee Chair shall be chosen by the Board of Directors. The Past Chair shall be that person who served as the immediate Past Chair, or if that person is not prepared to serve, a Past Chair chosen by the Chair, and in the absence of such a person, an At-large Representative chosen by the Chair based upon that person's experience in the operations of the COOPERATIVE. Members and subpool Members shall be placed into separate groups according to the size of lives served (not dependents), in effect in the records of the Cooperative shown as of January 1<sup>st</sup> of each year, in order to vote for the members of the Executive Board chosen by category of lives served.
- (b) The Executive Board shall be responsible for implementing the policy directions of the Board of Directors and shall be responsible for the regular activities of the COOPERATIVE, including but not limited to: the approval of warrants and bills; compliance with growth policy; review audit; recommend investment policy to Board of Directors; recommend programs and vendors to Board of Directors;

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service level assessment; recommend goals and policy changes to Board of Directors; coordinate selection process and recommend and oversee the performance of the Executive Director. The Executive Board may enter into contracts and expenditures in amounts up to \$50,000, have the authority to renew or extend, with or without amendments, existing contracts with cost decreases or, in the case of increases, those of less than 5% per year and may authorize the Executive Director to enter into contract and expenditures in amounts up to \$5,000. The Board of Directors, by motion, may increase the dollar amounts of the contracts and expenditures, which may be from time-to-time authorized to the Executive Board or the Executive Director.

- (c) Except for the election for a term beginning July 1, 2012, the Chair and Vice Chair shall be limited to one (1) two (2) year term. The term for the remaining Executive Board positions shall be limited to no more than two (2) year consecutive terms, but persons may be selected to a different position. For the fiscal year of the COOPERATIVE, commencing on July 1, 2012, and thereafter, the Chair, Vice-Chair, Treasurer and Operations committee Chair shall be elected to an initial term of one (1) year and thereafter for two (2) years to achieve staggered terms. Other Members of the Executive Board shall be elected for two (2) year terms commencing on July 1, 2012. The election of officers can take place one hundred and twenty (120) days prior to or after the start of a new fiscal year. Officers shall serve until their successors have been chosen and begin their terms. All Members of the Executive Board are expected to conscientiously prepare for, attend, and actively participate in all Board of Directors and Executive Board

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meetings.

- (d) The Chair is the chief elected officer of the COOPERATIVE and directs the overall affairs and operations of the Executive Board; presides over all meetings of the Executive Board and the Board of Directors; and performs all other duties as are authorized in the By-Laws, or as the Executive Board or Board of Directors may authorize and as may be defined in the policies of the COOPERATIVE. The Chair, when authorized, shall execute documents on behalf of the COOPERATIVE and shall perform those duties normally associated with the Chair of an intergovernmental agency. In the absence or inability of the Chair to perform these duties, the Vice-Chair shall temporarily provide those services. If the Chair shall resign or permanently be unable to perform such duties, the Vice-Chair shall succeed to the position of Chair. In the case of vacancies, in all other offices of the Cooperative other than the Executive Director or the Treasurer, the Chair shall appoint individuals with the required qualifications to fill any vacancies until the end of the term of the person leaving the office. The Vice-Chair assists the Chair in directing the affairs and operations of the Executive Board and Board of Directors; acts as presiding officer at meetings in the absence of the Chair.
- (e) The Treasurer shall have charge and custody of and be responsible for all funds and securities of the COOPERATIVE; receive and give all receipts for monies due and payable to the COOPERATIVE from any source whatsoever; deposit all such monies in the name of the COOPERATIVE in such banks, savings and loan associations or other depositories as shall be selected by the Board of Directors; keep the

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financial records of the COOPERATIVE and invest the funds of the COOPERATIVE as are not immediately required in such securities as the Board of Directors shall specifically or generally select from time-to-time. Provided, however, that all investments of the COOPERATIVE funds shall be made only in compliance with the COOPERATIVE'S Investment Policy which must be in accordance with statutory law at the time of any investment. The Treasurer shall perform all the duties incident to the office of Treasurer and such other duties as from time-to-time may be assigned to the Treasurer by the Board of Directors.

In the absence of the Treasurer, or in the event of the inability or refusal of such officers to act, the Chair of the Board of Directors may temporarily perform the duties of the Treasurer and, when so acting, shall have all of the powers of and be subject to all of the restrictions upon the Treasurer. A new Treasurer shall be selected at the next regular or special meeting of the Board of Directors, but the Chair may act, in any case, until the selection is made. The Treasurer shall also serve as Chair of the Finance Committee.

- (f) The Board of Directors may, by at least a two-thirds (2/3) vote of the MEMBERS remove the Chair, Vice-Chair, Treasurer or the Chair or any member of any Committee. Such removal shall be within the total discretion of the Board of Directors. The Executive Board may also, by at least a two-thirds (2/3) vote, and within its total discretion, remove an Executive Board member, except for the Chair, Vice Chair, Treasurer or Chairman of the Operations Committee. After removal, the Executive Board shall notify in writing the individual removed and give that person an opportunity to request an appearance before the Executive

Board with at least seven (7) days' prior written notice to contest the removal.

The Executive Board shall permit the person removed to explain why that person would wish to be reinstated to the Executive Board, but the decision of the Executive Board on removal or reinstatement shall not be required to meet any due cause or due process standard. The Executive Board shall notify in writing all of the MEMBERS of the COOPERATIVE of its decision to remove or reinstate the MEMBER of the Executive Board. The decision of the Executive Board shall be final. These officers serve in "at will" positions. In the event that the Chair is removed by the Board of Directors, the Vice-Chair shall take over that position and the new Chair will select the Vice-chair to fill out the remainder of that term.

- (g) Ten (10) or more MEMBERS of the COOPERATIVE may request a special meeting of the Board of Directors held for the purpose of removal of a member or members of the Executive Board. The person proposed to be removed from such a position may address the meeting of the Board of Directors, which, by a majority vote, may remove the member or members. A decision to remove the "at will" members of the Executive Board shall be totally within the discretion of the Board of Directors, which shall not be required to make its decision based upon due cause or due process standards but, rather, simply as a determination of its absolute discretion.
- (h) A Finance Committee is established. The Committee shall have nine (9) members, one of whom, the Treasurer shall serve as Chair. The members of the Committee except for its Chair shall be selected by the Chair of the COOPERATIVE and approved by the Executive Board. The Committee members shall be

appointed for a term of two (2) years which shall be staggered. The Finance Committee shall serve as a recommending body to the Executive Board. It shall review and recommend the annual budget, programs and vendor performance and other projects and tasks as assigned by the Chair or the Executive Board. The Chairman of the COOPERATIVE shall fill vacancies on the Finance Committee, which appointments shall be until the end of the term of the person replaced.

- (i) An Operations Committee is established. The Committee shall have nine (9) members. The members of the Committee except for its Chair shall be selected by the Chair of the COOPERATIVE and approved by the Executive Board. The Committee members shall be appointed for a term of two (2) years which shall be staggered. The Operations Committee shall serve as a recommending body to the Executive Board. It shall review the day-to-day operations of the COOPERATIVE and make recommendations for changes needed or actions to create greater efficiencies. The Chairman of the COOPERATIVE shall fill vacancies on the Operations Committee, which appointments shall be until the end of the term of the person replaced.
- (j) A Membership Development committee is established. The Committee shall have at least five (5) members. The members of the Committee and its Chair shall be selected by the Chair of the COOPERATIVE and approved by the Executive Board. The Committee members shall be appointed for a term of two (2) years which shall be staggered. The Membership Development Committee shall provide onboarding, mentoring, education, training, networking, and leadership

development to the IPBC membership. The Chairman of the COOPERATIVE shall fill vacancies on the Membership Development Committee which appointments shall be until the end of the term of the person replaced.

- (k) The Board of Directors or the Executive Board may establish on a permanent or ad hoc basis other committees or Boards to serve the COOPERATIVE.
- (l) When officers of the COOPERATIVE need to be selected by the Board of Directors, the Executive Board shall name a Nominations Committee, which will consider candidates and make a recommendation for the filling of the positions. The Executive Board may, but shall not be required to, select a past Chair who shall serve as Chair of the Nominations Committee. The past Chair may be authorized to select Delegates or Alternates to serve as Members of the Nominations Committee. The Nominations Committee shall present to the Board of Directors a recommended slate of candidates for review by the membership. This report shall be submitted no later than thirty (30) days before the date of the meeting of the Board of Directors at which the elections shall take place. Other persons seeking to be named to positions on the Executive Board may have their names offered in nomination for such positions.
- (m) The COOPERATIVE shall purchase a blanket fidelity bond in an amount to be established by the Board of Directors to assure the fidelity of all officers, directors, and employees of the COOPERATIVE who shall have the authority to receive or authorize by their signature or order the payment of COOPERATIVE funds.

Additional fidelity and similar coverages may be procured by the COOPERATIVE from time-to-time.

- (n) The Board of Directors may select a financial institution to carry out some or all of the functions which would otherwise be assigned to a Treasurer and may select a management company or agent to carry out some or all of the functions which would otherwise be assigned to an Administrator.

ARTICLE VIII. Finances.

A. Administrative Fund.

The cost of the administration of the COOPERATIVE shall be borne by each of its MEMBERS in direct proportion to the number of employees and officers of the MEMBER and listed entities whose benefit programs are to be administered by the COOPERATIVE as compared to the total number of such persons served by the COOPERATIVE.

Whenever payments to the Administrative Fund shall be based upon an estimate, the MEMBER shall promptly receive a refund or pay a deficiency when final figures become available. The Administrative Fund shall pay all of the administrative costs of the COOPERATIVE and payment shall be made to cause the administration of all actions approved by the Board of Directors and the Executive Board.

B. The Benefit Fund.

Payments into the Benefit Fund will be developed and administered in the following manner:

1. Before the start of each fiscal year, the Administrator and the Executive Director, will determine on the basis of financial data the amount of total payments from all MEMBERS necessary to fund anticipated benefit payments and the cost of insurance.
2. The Administrator and the Executive Director, will also recommend how this total amount of anticipated expenses should be divided among the MEMBERS. The charges to be made to the MEMBERS shall be determined by a vote of the Board of Directors which shall, in establishing such sums due, treat all similarly situated MEMBERS in an equal manner. Such

a vote must receive at least the concurrence of two-thirds (2/3) of a quorum at a Board of Directors meeting.

3. The Board of Directors may, each fiscal year, choose an allocation of the payments into the Benefit Fund whereby some or all of the costs are divided among the MEMBERS based upon general increases or decreases in the total costs of the COOPERATIVE without regard to the claims made against individual MEMBERS or it may elect to grant debits or credits based upon the individual plans offered by the MEMBERS or the level of claims. Debits or credits may be expressed through the use of a banding formula. (Also see Article IX.)
4. In the event that the Board of Directors shall fail to approve the charges or allocations by the requisite vote, the charges and allocations for the next year shall, until and unless modified, be based upon the prior year's allocations with charges increased by ten percent (10%) and additionally subject to the obligation to make Supplementary Payments.
5. The COOPERATIVE will purchase such other insurance coverage as may be approved by the Board of Directors.
6. Without regard to any other provision contained within this Article VIII, the Board of Directors may establish charges to be paid by the MEMBERS for life insurance benefits to be based upon total pooling of the experience of all MEMBERS with each MEMBER paying the same cost per employee for such life insurance coverage. The time at which a determination regarding the amounts due for such life insurance coverage and the manner in

which such amounts shall be paid shall be the same as that established for other payments into the Benefit Fund. The Board of Directors may also establish a program to provide dental or other benefits to MEMBERS which wish such coverage.

C. Cash Flow Account.

The Cooperative shall maintain a Cash Flow Account. Each MEMBER shall make payments into that account equal to some percentage set by the Board of Directors of the payments that MEMBER has made into the Benefit Fund. The Board of Directors shall determine the manner in which each MEMBER'S obligation to make payments into the Cash Flow Account is established to assure that an adequate balance for the payment of claims remains in that account at all times. Automatic withdrawals from the Terminal Reserves of a MEMBER may be made by the MEMBER or the Executive Board to fund deficits in the Cash Flow Account. The Board of Directors shall determine whether the Cash Flow Account shall be treated as a single fund which can be utilized for the payment of the claims of any MEMBER or whether each MEMBER shall be obligated to maintain its own individual account. If separate accounts are maintained, MEMBERS may be individually required to make up deficiencies in their accounts. The establishment of payments into the Cash Flow Account from a single fund must receive at least the concurrence of at least the vote of two-thirds (2/3) of a quorum at a Board of Directors meeting.

D. General Fiscal Matters.

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

E. Supplementary Payments.

If, during any year, the funds on hand are not sufficient to pay benefits or administrative expenses which are the responsibility of the COOPERATIVE and not through a failure of insurance coverage or other causes, the Board of Directors shall require Supplementary Payments. The increased payments shall be computed utilizing the same method under which payments were made for the year in question and except for payments into the Administrative Fund where payments shall be made by all MEMBERS, they shall only be due from MEMBERS which were entitled to receive benefits from the account which requires Supplementary Payments. If a MEMBER transfers employees and officers from a fund where Supplementary Payments are due to another fund, a determination shall be made by the Board of Directors as to the amount of Supplementary Payments due from that MEMBER arising from its prior participation in that fund.

F. Terminal Reserves

During any fiscal year, and with the approval of the Treasurer, a MEMBER may withdraw from the COOPERATIVE any amount of Terminal Reserves provided that there shall be deducted from that payment any amounts owed by the MEMBER or reasonably anticipated to be owed by the MEMBER to the COOPERATIVE either being then due and payable or estimated to be due based upon tentative figures or preliminary audits, or any other amounts due from the MEMBER to the COOPERATIVE. The Treasurer may always deduct from a MEMBER's Terminal Reserves any amounts necessary to pay for that MEMBER's obligations to the COOPERATIVE. Within

thirty (30) days after a final audit, approved by the Board of Directors, the amounts then determined to be owed to the COOPERATIVE shall be deducted from the Terminal Reserves. Thereafter, the MEMBER shall receive a determination of the Treasurer within sixty (60) days of a written request. The Treasurer shall provide a written report to the Executive Board of any approved requests for withdrawals from Terminal Reserves within sixty (60) days after the withdrawal. If the COOPERATIVE shall have advanced funds on behalf of a MEMBER such that the MEMBER is expected to have a deficit balance in its Terminal Reserves, then, within sixty (60) days after written notice, the MEMBER shall be required to pay to the COOPERATIVE at least sufficient funds so as to remove the deficit in its Terminal Reserves.

G. Suspension or Termination of Claim or Other Payments.

In any situation, where the Executive Board should determine that a Members has not promptly paid to the COOPERATIVE any financial obligation then due, which is in excess of the amount of \$50,000.00, or is more than one-half of one month's contribution, whichever is less, it may direct that the payment of the Member's claims or other sums sought shall be suspended or terminated for a specified period of time or until certain specified actions have taken place. If the decision is made by the Executive Board, the suspension may be for a period of time up to and including the date at which the Board of Directors considers and takes action relating to a proposed termination of membership or other action. The Executive Board shall notify the Members of the Board of Directors of its decision. The Board of Directors may also vote to suspend or terminate the payment of claims in the situations provided for above.

As is provided in the PURPOSE section, the IPBC is to "jointly administer some or all of the personnel benefit programs offered by its MEMBERS to their officers and employees...."

The COOPERATIVE has determined that the funding of those administrative acts is dependent upon the prompt and full payment by MEMBERS of their obligations. A defaulting MEMBER, rather than the COOPERATIVE, shall be fully responsible for any claims, demands or suits, or any increased costs allegedly caused by a suspension or termination of claim payment on behalf of a MEMBER in financial default. In case such a claim, demand, suit or increased cost is made or incurred by the COOPERATIVE, the defaulting MEMBER shall hold harmless, defend and indemnify the COOPERATIVE, its other MEMBERS and their officers and employees against such claim, demand, suit or cost.

H. Payments in Error.

If the COOPERATIVE should in error pay any benefit claims, administrative fees or other charges on behalf of a Member, which it was not obligated to pay, the Member shall, upon thirty (30) days' written notice, reimburse the COOPERATIVE for the amounts improperly paid.

ARTICLE IX. Plan of Benefits, HMOs and Reductions In Coverage.

MEMBERS may change the Plan of Benefits provided at any time, but shall notify the Administrator and the Executive Director at least sixty (60) days prior to the intended effective date of such change; and such change shall be subject to a redetermination on the underwriting basis of the payments due the COOPERATIVE. The Administrator shall make a determination as to the amount of the increased or reduced payment required in light of the change. If the MEMBER should dispute the amount of the redetermination, an initial decision regarding such amount shall be made by the Executive Board with an appeal to the Board of Directors. In the event that the Administrator should determine that the proposed change provides a level or type of coverage, the cost of which cannot be determined on an underwriting basis or which would provide an excessive risk to the COOPERATIVE, or is inconsistent with the insurance purchased by the COOPERATIVE or would otherwise not be in the best interest of the COOPERATIVE, the Administrator shall present that opinion and the reasons supporting that opinion in writing to the MEMBER requesting the change and to the Chair and the Executive Director. The change shall not come into effect within the COOPERATIVE's plan of benefits except in the manner recommended by the Administrator unless the decision of the Administrator is overturned or modified by the Executive Board or the Board of Directors. The MEMBER may institute the change, but shall be individually financially responsible for the administration and payment of such benefits as are not eventually authorized to be provided within the COOPERATIVE. The Administrator shall as promptly as possible re-price covered benefits. No claim may be made against the COOPERATIVE for the unauthorized change.

The COOPERATIVE may offer to its MEMBERS participation in an HMO Fund separate from the Benefit Fund to pay the costs of providing HMO services to the officers and employees

of the participating MEMBERS. Accounting for this Fund, including surplus or deficit amounts, shall be separate from the Benefit Fund. For any fiscal year if the Board of Directors of the COOPERATIVE votes to provide an HMO Fund for the fiscal year, all MEMBERS offering HMO benefits to their officers and employees shall only offer the Plan of Benefits of the COOPERATIVE'S HMO Fund or those in union-sponsored programs.

An HMO Plan of Benefits shall mean any plan which provides benefits to participants through a restriction on the doctors who provide services, an absence of substantial deductible or co-payments and an absence of or simplified claim forms. An HMO Plan of Benefits may be offered by the COOPERATIVE either through joint purchase or pooling.

The rates for the HMO Plan or Plans of Benefits offered by the COOPERATIVE for the specific plans of its MEMBERS shall be established by the Board of Directors. The Board may establish an average annual rate percentage change for the HMO Fund as a whole, and may then, through the use of a banding formula, establish bands of no more than 10 percentage points more or less than the average annual price adjustment for those MEMBERS whose claims experience has been above or below the average. It may also approve other allocation formulas.

Where the COOPERATIVE establishes set rates, under two (2) circumstances and upon a report of the Administrator or the Executive Director, the Board of Directors may individually rate a MEMBER or MEMBERS. Where the actual paid claims, incurred by a MEMBER during any two (2) or more years of a three (3) year period, were both in the highest or both in the lowest bands, or where it is discovered that claim history material submitted by a MEMBER was improperly stated, that MEMBER or MEMBERS may be individually rated and may be required to contribute to the appropriate Fund a sum no more than 100% greater or lesser than the amount which would be payable had that MEMBER or MEMBERS been rated with the group as a whole. Such

individual rating shall carry into another cycle until such time as the paid claims of the MEMBER have declined for a year so that the MEMBER would be entitled to be rated with the group as a whole.

If, for any year or years, the Board of Directors should determine that there are surplus funds within the HMO Fund which can be distributed to the MEMBERS without harming the fiscal integrity of the HMO Fund, those surplus funds shall be distributed to all existing and prior MEMBERS of the COOPERATIVE (who validly withdrew) who made contributions into the HMO Fund in the proportion in which those contributions were made. A determination as to whether surplus funds shall be distributed to the remaining MEMBERS of the COOPERATIVE shall be made from time-to-time by the Board of Directors.

If a MEMBER, in accordance with the By-Laws, elects to withdraw from the COOPERATIVE, or if it has no officers or employees who will receive the HMO Plan of Benefits for the next fiscal year, it shall be the obligation of that MEMBER to pay all the claims of its officers and employees for HMO services under the COOPERATIVE which were performed prior to the commencement of that next fiscal year, but not submitted and processed before the end of that fiscal year, but within the time period allowed for submissions. The Executive Board, on the recommendation of the Administrator, may require a MEMBER to pre-fund an amount estimated to be sufficient to pay for such HMO runoff claims and administration.

Within sixty (60) days after the approval of the audit of the COOPERATIVE's HMO Fund for the prior fiscal year, a final accounting of funds owed or owing shall take place. If a MEMBER which has offered an HMO Plan of Benefits shall have no officers or employees receiving such benefits in a subsequent fiscal year, or if that MEMBER has validly withdrawn from the COOPERATIVE, then that MEMBER, subject to a pre-funding of HMO run-off claims and

administration, shall be entitled to its percentage of any surplus funds within the HMO Fund. The payment of surplus funds or the receipt of amounts otherwise due from the MEMBER shall be carried out in accordance with the provisions of Article XVII.

In the event that HMO coverage is no longer offered by the COOPERATIVE, any surplus funds remaining shall, after audit and the setting aside of run-off amounts, be distributed to the MEMBERS (except for expelled MEMBERS) in the proportion in which they contributed funds to the HMO Fund.

If the number of employees or officers of the MEMBERS eligible to receive some portion of any of the COOPERATIVE's benefits should decline or where for some other reason the Administrator is concerned about the ability of a specific fund to cover potential claims, the matter shall be brought to the attention of the Executive Board and the Board of Directors. The Board of Directors may determine that the coverage shall no longer be offered or its scope or amount of coverage shall be prospectively reduced. A decision to make such a reduction shall not become effective for at least sixty (60) days after the vote of the Board of Directors.

ARTICLE X. Insurance and Other Coverages.

The COOPERATIVE may purchase insurance from a company permitted to write such coverage in Illinois. The COOPERATIVE may also join with other intergovernmental entities to provide collective self-insurance. The obligation of any MEMBER to the COOPERATIVE shall be limited to funding those benefits collectively self-insured by the COOPERATIVE. No MEMBER shall be responsible for the benefit claims of another MEMBER which were to be paid by insurance but were not paid or at levels above the insurance purchased for MEMBERS.

ARTICLE XI. Obligations of Members.

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

- (a) To appropriate or budget for, where necessary to levy for and to promptly pay all monthly and supplementary or other payments to the COOPERATIVE at such times and in such amounts as shall be established by the Board of Directors within the scope of this Contract and By-Laws. Any delinquent payments shall be paid with a penalty which shall, for the period of non-payment, be equivalent to the prime rate of interest on the date of delinquency charged by the bank in Illinois with the largest assets or the highest interest rate allowed by statute to be paid by an Illinois non-home rule municipality whichever is greater. In the event that the COOPERATIVE shall be required to expend funds for administrative, legal or other costs brought about by the failure of a MEMBER to pay sums owed the COOPERATIVE or to otherwise comply with its obligations, such amounts expended shall be added to the sums due the COOPERATIVE and shall be payable by the MEMBER. In the event that a MEMBER of the COOPERATIVE should sue the COOPERATIVE or any of its MEMBERS or officers regarding an interpretation of this Contract and By-Laws, an action taken by the Board of Directors or officers or any other matter arising out of its membership in the COOPERATIVE, and should not be the prevailing party in that suit, it shall, as part of its contractual obligation to this COOPERATIVE, pay the reasonable attorneys' fees and other costs and expenses expended by the COOPERATIVE in defending against that suit.

- (b) During its entire membership in the IPBC, a MEMBER shall only exclusively provide to its employees and officers, except independent contractors, or those in union-sponsored programs, the health and accident benefits and associated life insurance coverage of the COOPERATIVE.

In entering into this intergovernmental agreement, each MEMBER, sub-pool and sub-pool member acknowledges, recognizes and accepts that intergovernmental agreements are voluntary associations where the MEMBERS can determine, by contract and, by authorized actions of the Board of Directors and the Executive Board, the identity of the MEMBERS, how MEMBERS and those otherwise bound can be admitted, dealt with during membership and expelled.

- (c) To select a person to serve on the Board of Directors and to select an alternate representative.
- (d) To allow the COOPERATIVE reasonable access to all facilities of the MEMBER and all records including but not limited to financial records which relate to the purpose and powers of the COOPERATIVE.
- (e) To furnish full cooperation with the COOPERATIVE's Executive Director, Committees, attorneys, claims adjusters, the Administrator and any Board or committee, agent, employee, officer or independent contractor of the COOPERATIVE relating to the purpose and powers of the COOPERATIVE.
- (f) To furnish the COOPERATIVE with a copy of revisions to its written benefit program at least sixty (60) days prior to the effective date of such change.
- (g) To report to the COOPERATIVE as promptly as possible all claims made to it within its benefit program as administered by the COOPERATIVE.

- (h) To follow those procedures regarding the administration of and application for benefits adopted by the Board of Directors which do not reduce the level of benefits contained within any MEMBER's individual benefit program, which are to be paid for by funds of or through the COOPERATIVE. For example, large case management, frequency and amount of claim submissions and wellness programs. The adoption of such procedures shall require at least the concurrence of at least the votes of two-thirds (2/3) of the entire membership of the Board of Directors.
- (i) This Contract and By-Laws document is not intended to create or provide any rights in third-parties, including, but not limited to the individuals to whom the MEMBERS provide benefits.

ARTICLE XII. Liability of Board of Directors or Officers.

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

ARTICLE XIII. Additional Insurance.

The Administrator and the Executive Director, through the distribution of the minutes of the Board of Directors or through other means, shall inform all MEMBERS of the scope and amount of insurance in force from time-to-time. Membership in the COOPERATIVE shall not preclude any MEMBER from purchasing any insurance coverage above those amounts or in addition to that purchased by the COOPERATIVE. The COOPERATIVE may also create and administer programs to pay dental or other claims. All funds for the operation of such programs shall be accounted for separately and the financial obligations arising from such programs shall only be the responsibility of MEMBERS which participate.

#### ARTICLE XIV. Disputes Over Coverage.

In the event that a MEMBER should question whether its employee or officer or that of a listed entity is entitled to payments, that MEMBER shall, in writing, direct the COOPERATIVE not to pay any further amounts arising from such claim after the date of the receipt of the written direction. When so directed, the COOPERATIVE shall not pay such claim unless the MEMBER's order is withdrawn. Provided, however, that the MEMBER shall defend and hold harmless the COOPERATIVE against all costs, including defense costs, or damages which the COOPERATIVE shall incur in acting on the direction of the MEMBER. The COOPERATIVE may require the MEMBER to advance funds to support this obligation and on a failure of the MEMBER to do so, it may choose to make the payment.

In the event that an officer or employee or other person claiming benefits from a MEMBER or the MEMBER itself should contest the decision of the Executive Board or the Board of Directors, which declines to pay a benefit in whole or in part, the decision of the Executive Board or the Board of Directors shall be final in the absence of fraud. The COOPERATIVE shall have no financial responsibility if a company which provides insurance for benefit claims refuses or is unable to pay such claims. In the absence of action by the Board of Directors to recover such funds from the Company the MEMBER affected may pursue the matter at its expense.

#### ARTICLE XV. Contractual Obligation.

This document shall constitute a contract among the MEMBERS of the COOPERATIVE. The obligations and responsibilities of the MEMBERS set forth herein including the obligation to take no action inconsistent with this Contract and By-Laws as originally written or validly amended shall remain a continuing obligation and responsibility of the MEMBER. The terms of this contract may be enforced in a court of law either by the COOPERATIVE itself or by any of its MEMBERS. The consideration for the duties herewith imposed upon the MEMBERS to take certain actions and to refrain from certain other actions shall be based upon the mutual promises and agreements of the MEMBERS set forth herein and the advantage gained by MEMBERS in anticipated reduction of administrative costs for the processing of personnel benefits. Provided, however, that the financial obligations of a MEMBER are limited to that agreed to herein or such additional obligations as may come about through amendments to these By-Laws. The Scope of Coverage of the COOPERATIVE shall extend only to the MEMBERS. This intergovernmental agreement is not intended to, nor does it grant, any rights, including but not limited to, the right to an interpretation of its provisions or benefits to any third-parties.

## ARTICLE XVI. Expulsion of Members.

By at least the concurrence of the vote of at least two-thirds (2/3) of the entire remaining membership of the Board of Directors, any MEMBER may be expelled. Such expulsion, which shall take effect in the manner set out below, may be carried out for one or more of the following reasons:

- (a) Failure to make any payments due to the COOPERATIVE,
- (b) Failure to exclusively provide to its employees and officers, except independent contractors, or those in union-sponsored programs, the health and accident benefits and associated life insurance coverage of the COOPERATIVE,
- (c) Failure to furnish full cooperation with the COOPERATIVE's attorneys, Executive Director, Administrator and any agent, employee, officer or independent contractor of the COOPERATIVE relating to the purpose and powers of the COOPERATIVE,
- (d) Failure to carry out any obligation of a MEMBER which impairs the ability of the COOPERATIVE to carry out its purpose and powers.

No MEMBER may be expelled, except after notice from the COOPERATIVE, of the alleged failure along with a reasonable opportunity of not less than fifteen (15) days to cure the alleged failure. The MEMBER, within that 15 day period, may request a hearing before the Board of Directors before any decision is made as to whether the expulsion shall take place. The Board of Directors shall set the date for a hearing which shall not be less than fifteen (15) days after the expiration of the time to cure has passed. The Board of Directors may appoint a hearing officer to conduct such hearing and make a recommendation to the Board of Directors based upon findings of fact. If the Board conducts the hearing itself, it may make a decision at the close of the hearing. A decision by the Board of Directors to expel a MEMBER after notice and hearing and a failure

to cure the alleged defect shall be final unless the Board of Directors shall be found by a court to have committed a gross abuse of discretion. After expulsion, the former MEMBER shall continue to be fully obligated for any payments due to the COOPERATIVE which were created during the term of its membership along with any other unfulfilled obligation as if it were still a MEMBER of the COOPERATIVE.

The obligation of the COOPERATIVE to administer the claims filed under the benefit program of the expelled MEMBER shall cease thirty (30) days after the date of expulsion, provided that the MEMBER is not in financial arrears to the COOPERATIVE. If the expelled MEMBER is in financial arrears to the COOPERATIVE, including estimated deficits, the administration of claims shall cease immediately upon expulsion. After expulsion, the COOPERATIVE or its Administrator may agree by contract to administer and pay the claims of the expelled MEMBER using funds furnished by the expelled MEMBER. The expelled MEMBER shall be required to pay the cost of the transfer of such document if it should choose to pay claims by itself or through others.

ARTICLE XVII.      Withdrawal of a Member and Continuation  
                                 or Termination of the COOPERATIVE.

MEMBERS shall have the right to withdraw from membership at the end of any fiscal year if proper notice of withdrawal is given in the manner provided in this Article. The obligation of a MEMBER shall include continuing participation with regard to all classes of officers and employees of the MEMBER, not including its listed entities, established as being entitled to benefits at the commencement of each fiscal year. Provided, however, that if a MEMBER should choose to end continuing participation with regard to officers and employees of the MEMBER, other than at the end of a one-year term, who are to be provided health and life insurance coverage in a union-sponsored program, the COOPERATIVE shall permit such withdrawal, but it may re-price the costs of benefits to the continuing employees or officers based upon the same underwriting criteria used by that COOPERATIVE in the normal course of its business. If officers or employees are withdrawn from the COOPERATIVE into a union-sponsored program, they may subsequently be returned to coverage, but only on an underwriting basis. In addition, when the withdrawal is into a union-sponsored program, no MEMBER shall be expelled from the COOPERATIVE if the continuing employees or officers meet the general criteria required from time-to-time for other MEMBERS of the COOPERATIVE. If a MEMBER, which no longer meets the underwriting criteria as a MEMBER should be voluntarily admitted to an intergovernmental agency (sub-pool), which itself is a MEMBER of the COOPERATIVE, it may continue receiving benefits from the COOPERATIVE under the Contract and By-Laws of the Intergovernmental Agency. Provided, however, that upon at least a two-thirds (2/3) affirmative vote of the entire membership of the Board of Directors, any MEMBER may be relieved of continuing participation with regard to a particular class or classes of officers and employees of the MEMBER. In addition, a MEMBER

shall only be required to provide continuing participation for those persons within such classes of officers and employees as are actually employed or working for the MEMBER.

Any MEMBER of the COOPERATIVE may withdraw from the COOPERATIVE at the end of a fiscal year of the COOPERATIVE upon the giving of at least ninety (90) days prior written notice of withdrawal. Such notice shall be addressed to the Chairman of the COOPERATIVE and the Executive Director, and shall be accompanied by a resolution of the Corporate Authorities of the MEMBER electing to withdraw from the COOPERATIVE.

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If a MEMBER should withdraw from the COOPERATIVE and the contract between the COOPERATIVE and providers do not provide for mandatory run-off claim payments, no benefit claims of the MEMBER shall be processed or paid by the COOPERATIVE after the close of the fiscal year in which withdrawal takes place, unless the withdrawing MEMBER shall enter into a contract with the COOPERATIVE or the provider to provide such services using funds furnished by the withdrawing MEMBER. Pending claims and other records relating to the withdrawing MEMBER shall, in the absence of such a contract, be turned over to that MEMBER in a prompt manner and at that MEMBER's cost.

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If a MEMBER should withdraw from the COOPERATIVE, as of the date of its withdrawal, individual stop loss or aggregate stop loss insurance policies purchased by the COOPERATIVE, on behalf of its MEMBERS, will likely contain provisions which will provide that such insuring entities will be required to pay no claims of a withdrawing MEMBER which were not paid during the time of its Membership. Withdrawing MEMBERS will be required to pay such claims not paid during the time of its Membership. Withdrawing MEMBERS may wish to explore individually purchasing extensions of such insurance policies if available to them from the insuring entities or arrange for alternate insurance coverages. MEMBERS should be aware of such payment

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obligations which will not be those of the COOPERATIVE except in the unlikely event that such individual stop loss or aggregate insurance policies provide for additional coverage.

With regards to benefit claims and administrative fees after a MEMBER withdraws in any way from the COOPERATIVE, the contract between the COOPERATIVE and the entity offering HMO benefits may provide that the COOPERATIVE is responsible for certain payments to the HMO for benefit claims and administrative costs for a continuing period. If a contract contains such a provision, the withdrawing MEMBER is responsible for the payment to the COOPERATIVE for all of such payments for the period contained within that agreement.

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With regards to benefit claims and administrative fees after a MEMBER withdraws in any way from the COOPERATIVE, the Contract between the COOPERATIVE and the entity or entities offering other than HMO benefits may also provide that the COOPERATIVE is entitled to those entities paying the run-off claims of the withdrawing MEMBER for a period of time specified in the Contract. Such a contract may obligate the COOPERATIVE to pay the provider for the payment of the agreed-upon claims of the withdrawing MEMBERS with the specified period of time even if the withdrawing MEMBER should be in default of its obligations to pay the COOPERATIVE for the previously-agreed to run-off coverage after the MEMBER'S withdrawal. Such contracts with providers may prevent the COOPERATIVE from directing the provider not to pay claims of the withdrawing MEMBER even if the withdrawing MEMBER is in default of its requirements. In some cases, the provider will advance funds and bill the COOPERATIVE after the payments have been made. Under other contracts, the provider may stop the payment for all continuing MEMBERS or MEMBERS which have withdrawn from the COOPERATIVE and have fully paid in advance or as requested for run-off claims. Because of the serious adverse affect to all of the COOPERATIVE'S MEMBERS in the event that a withdrawing MEMBER fails to

pay such amounts, the COOPERATIVE may utilize any funds within the account of the withdrawing MEMBER to pay for such run-off claims or may require the withdrawing MEMBER to advance funds reasonably estimated to be paid by the provider and the COOPERATIVE in fulfilling run-off payment provisions of the previously executed contracts with the providers. All withdrawing MEMBERS shall remain fully obligated for their portion of all expenses of and claims agreed to be paid by the COOPERATIVE incurred during the period of their Membership and during any period in which contractually obligated run-off claims are to be paid. The COOPERATIVE may seek to recover those funds at any time or seek to require advance payment of estimated costs.

Within one-hundred twenty (120) days after the approval of the audit of the COOPERATIVE for the prior fiscal year, a final accounting of funds owed or owing shall take place. Such accounting shall include all funds of the COOPERATIVE. If the amount owed to or owing from the withdrawing MEMBER shall be \$25,000 or less, the party owing such funds shall make payment within ninety (90) days after the final accounting. If the amount owed to or owing from the withdrawing MEMBER shall be over \$25,000, the party owing such funds may pay such funds owed in no more than 13 equal monthly payments with interest at the highest amount lawfully payable by a non-home rule Illinois municipality with the first payment to commence within ninety (90) days after the final accounting is established.

If the withdrawal of MEMBERS prior to the start of the next fiscal year shall reduce the number of covered employees and officers of the remaining MEMBERS, and any new MEMBERS legally committed to membership for the next fiscal year, to less than 2,000 covered lives, the COOPERATIVE shall, except for winding up its affairs, cease its operations at the end of the then-concluding fiscal year. In that case, the Board of Directors shall continue to meet on such a schedule as shall be necessary to carry out the winding up of the affairs of the COOPERATIVE. If,

during any fiscal year, the number of covered employees and officers should, through the withdrawal or expulsion of listed entities or attrition, be reduced to below 2,000 covered lives persons, any MEMBER may call a special meeting to discuss the feasibility of continuing the COOPERATIVE in operation until the close of that fiscal year.

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If any MEMBER should file a suit against the COOPERATIVE questioning the validity of the Contract and By-Laws document, or should raise the validity of this document in a suit by the COOPERATIVE and the validity of the Contract and By-Laws document is sustained, that MEMBER shall pay for the full legal and defense costs of the COOPERATIVE in that suit.

By execution of this Contract and By-Laws document, we do hereby certify that its approval and our membership in the IPBC has been authorized by our governing Board.

DATED: \_\_\_\_\_

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_