TAB	DESCRIPTION	ACTION
1	**UNIVERSITY OF IDAHO – PROPOSE LEGISLATION**	Motion to Approve
2	**LEGISLATIVE UPDATE**	Information Item

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UNIVERSITY OF IDAHO

SUBJECT

Legislation regarding self-funded benefits plan.

REFERENCE

April 20, 2007	Approval of the request by the University of Idaho to enter into the UI Health Benefits Trust Agreement in substantially the same form as the draft attached to the agenda, and with any further edits requested by the Idaho Department of Insurance to satisfy Title 41, Chapter 40, Idaho Code, and to continually authorize the UI to transfer University funds to the Trust in a manner consistent with, and as required by the Trust Agreement and Title 41, Chapter 40, Idaho Code.

APPLICABLE STATUTE, RULE, OR POLICY

Idaho State Board of Education Governing Policies & Procedures, Section II.J Other Benefits – All Employees

BACKGROUND/DISCUSSION

History of the Self-Funded Plan.

The University of Idaho has operated a self-funded employee health benefits plan since 2008. This plan covers medical, dental and vision benefits for University employees and eligible retirees Approximately 3,000 employees and retirees enroll each plan year.

The Plan uses insurance companies as third party service providers to perform the administration of the medical, dental and vision benefit as follows: Blue Cross of Idaho - medical claims; Delta Dental - dental claims; and Ameritas - vision claims. All claims are submitted directly to the relevant service provider and are processed in the same general fashion as each provider processes claims for their individual insured customers. For example, all medical claims are submitted directly to Blue Cross of Idaho and are processed in the same fashion as claims are processed for their directly insured customers (which include employees of the State of Idaho) using the same provider lists as are available to directly insured customers. Blue Cross adjudicates all medical claims including appeals from plan participants. The service providers bill the University each month for processed claims and they are paid from the University's benefits trust (Trust).

The plan is funded from contributions by enrolled plan participants (payroll deductions from employees and direct payments from eligible retirees) along with the University contributions from state funds appropriated to the University for employee benefits. The University uses actuarial calculations from the

University's benefits consultant to determine the amount charged to employees and retirees for each plan year, as well as to determine the budget for the University contribution to the plan. The University's continuing practice (now and for the past number of years) is to fully fund the claims and administrative expenses of the plan monthly as they come due. The University does this by calculating its actual contribution each month so that the billings received from the service providers as well as any accrued administrative costs then due will be fully covered with the combination of employee/retiree contributions and the University's balancing contribution.

The University minimizes its risk through stop-loss mechanisms. Benefits for vision and dental are capped and the University's contract with Blue Cross contains an individual stop-loss for annual claims in excess of $200,000 for any single insured as well as a 125% aggregate stop loss.

Since the inception of the plan through the completion of calendar year 2013, the University paid over $93 million in medical benefits. Over the life of the plan, the University has provided approximately 76% of the total contributions.

Self-Funded Plan Trust

As part of the Plan, the University established a trust in 2008 (Attachment 1: University of Idaho Health Benefits Trust Agreement) into which all contributions from employees and retirees are deposited along with the funds contributed by the University as its share of the cost of health benefits. The University received approval of the trust document from the State Department of Insurance (DOI) as required under Chapter 40 on February 1, 2008 (Attachment 2: Certificate of Registration) and has operated the plan since that time.

Each benefits provider bills for claims paid and is reimbursed from the trust based on those billings. Each provider is paid an administrative fee from the trust for these services. The trust is separately audited and the audit results are reported to the University's auditors each year.

At the inception of the University's plan, one of the requirements of Title 41, Chapter 40 (I.C. §41-4010) was that the University maintain a reserve and surplus balance in the trust. This section required an actuarial estimate of the amount needed to cover claims "incurred but not paid" or IBNP. In simple terms, this calculation is intended to ensure a balance of cash available for payment of claims that are covered under the plan (due to insured events such as an accident or a surgery) that are not yet known because a claim has not yet been made, or if made has not yet been paid. Upon termination of the plan for any reason, these funds would serve as the source for payment of the outstanding but otherwise not-funded claims as of the termination date. The required IBNP reserve and surplus balance must be maintained at an amount no less than 130% of the actuarial IBNP calculation. It is maintained over and above the funds necessary to pay ongoing claims and administrative costs as they accrue and are billed by the service providers.

The University has always viewed this IBNP reserve and surplus as a reasonable, prudent aspect of a sustainable plan operation. This reserve and surplus ensures that the University has sufficient funds to end this plan even after the University stops collecting contributions from plan participants in the event of plan closure. As the University's plan matured this amount became more accurately calculable and has been in the range of approximately $1.9 million to $2.8 million for calendar years 2009 through 2013.

Trust Operations

As explicitly set out in the Trust Document, the Trust's role in the operation of the University's health plan is i) to take in the contributions from the University and from the plan participants, ii) to pay insured claims based on billings from the third party service providers contracted by the University as well as the ongoing fees and administrative costs of the plan, and iii) to invest the balance of funds in the trust not otherwise immediately needed for items i) and ii).

The trust is operated under the guidance of 4 volunteer trustees who are university employees, who maintain independent authority over the trust and trust assets. The Trustees approve all distributions from the Trust. The Trustees contract with a third party investment advisor for the investment of trust balances and oversee these investments so as to maximize return to the trust in a prudent fashion.

The Trustees have not been involved in the University decisions regarding the contributions to be made by plan participants or by the University necessary for the operation of the plan, the nature and extent of benefits offered under the plan, or the regular ongoing determination of claims under the plan, and other day to day administrative details necessary for operation of the Plan. These matters have been handled by University employees with experience and expertise in these areas working in conjunction with the University's benefits consultants, Buck Consultants, a division of Xerox with worldwide experience in employee benefits plans.

Legislative Changes

In the 2013 legislative session, Senate President Pro Tempore, Brent Hill, sponsored legislation in response to the federal Affordable Care Act. Senator Hill wanted to authorize privately funded postsecondary education institutions (such as BYI-Idaho) to establish self-funded student health benefit plans. Public statements by Senator Hill and news reports regarding the bill focused on the expressed need for allowing these institutions to create student insurance benefits that did not violate institutional moral positions on abortions and contraceptives. (Attachment 3: 2013-0412 News article) The statement of purpose for the legislation was also limited to disclosing amendments to allow additional public or private institutions to create their own self-funded student health plans. The fiscal note for the legislation indicated no fiscal impact. (Attachment 4: 2013 Statement of Purpose – Fiscal Note)

New Reserve Requirement: However, staff at the DOI added provisions to this bill beyond those needed to allow for self-funded student health plans, including terms that materially impact the operation of the University of Idaho's self-funded employee health plan. One significant addition is a change to the trust reserve requirements for all self-funded health plans. This change replaced the IBNP reserve/surplus requirement with a requirement that the trust maintain a surplus balance equal to at least the equivalence of three months of contributions for the current year. For FY 16 starting July 1 of this year, this new requirement will increase the minimum reserve/surplus balance in the Trust from $2,987,000 (calculated under the old IBNP method) to approximately $9,000,000 of cash reserves. This additional reserve amount may not be used for payment of ongoing claims or expenses, or for any other purpose so long as the plan continues to operate.

The new law offers a second alternative which would reduce somewhat the amount of the new reserve balance, but would require a much greater annual expense for the University for the stop-loss insurance the University purchases to ensure against catastrophic health events or series of events. Under this option, reducing the amount of reserve balance from $9,000,000 to approximately $4,000,000 would require an ongoing annual increase in the stop-loss premium of over a half-million dollars.

This leaves the University with the choice of locking away $6 million dollars of institution funds indefinitely or adding an additional annual expense of a half million dollars indefinitely – both of which will likely increase with anticipated inflation in health costs. (Attachment 5: Summary of Reserve Amount Changes) Unlike the original requirement for an IBNP reserve, the University sees no fiscal or operational benefit from the additional trust reserve requirement. The University has consistently over the life of the plan contributed the funds necessary to ensure the full payment of the ongoing billings for claims and administrative expenses on a monthly basis. The University will continue to need to do this in spite of the added reserve requirement since those funds are locked away for the entire life of the plan.

Other Operational Changes: In the 2013 legislation, DOI staff also added terms to title 41 chapter 40 which attempt to move much of the University's role as described above into the Trust operations. This will require much more involvement of the trust in the day to day operations of the plan and in the decisions involving structure of the plan and the University's decisions for budgeting overall plan expenses and for its contributions to the plan. The Trustees lack both the expertise and the time for these functions. The Trust would need to have its own employees in order to duplicate the plan functions now being done by University employees.

These legislative changes may be necessary for proper oversight of other plans in the private sector, however there is no benefit to the University or its employees in these new requirements. The University has handled the operational aspects of its plan since the inception and has never failed to fully pay any allowed claim. The legislative changes would be an inefficient duplication of administration in the Trust and would place administrative decisions regarding the makeup of the University's benefits plan outside the purview of the University.

The University has been working with the DOI regarding their interpretation of the requirements for the operations of the plan and trust. Full resolution including resolving the issue of the significant increase in trust reserve balances, does not appear possible without legislative changes. The DOI has recently indicated it would not oppose legislation to exempt the University's plan from its regulation. (Attachment 6: Proposed exemption legislation). If the University is exempted, we would propose modifications to the trust that would ensure continued operation of the plan and trust as described above (including maintenance of the IBNP reserve and surplus) under the oversight of the Board.

However in discussions with legislative leadership there appears to be a concern with a blanket exemption. The University has prepared an alternative draft (Attachment 7: Proposed Legislation (Chapter 40 Revisions). This legislation, if approved, would return the University to the prior reserve requirement of 130% of IBNP and would clarify the relationship of the University to the Trust that the University can continue to independently administer the day to day elements of its benefits plan but still be required to utilize the trust for i) accepting and holding all contributions under the plan from the institution and from plan participants, ii) payment of all claims and administrative expenses of the plan and trust, iii) holding the required reserves and surplus, and iv) investing trust funds.

The University continues to explore both legislative options for either an exemption from chapter 40 or the proposed modifications. From the University's perspective, either one would result in substantially equivalent operation of the plan; either under the continued supervision of the Board if exemption is granted, or supervision of the Board and DOI under the modified statute.

The University seeks board approval to work with a legislator sponsor for these bills for consideration by the legislature.

IMPACT

Approval would allow for the University of Idaho to seek a legislative sponsor to introduce legislation in substantial conformance to the proposed legislation provided in Attachment 6.

ATTACHMENTS

STAFF COMMENTS AND RECOMMENDATIONS

The Governor's office has been notified that the University of Idaho is seeking Board approval

BOARD ACTION

I move to approve the request by the University of Idaho to proceed with proposed legislation in substantial conformance to the proposed draft submitted as attachment 6 to the Board materials.

Moved by __________ Seconded by __________ Carried Yes _____ No _____

UNIVERSITY OF IDAHO HEALTH BENEFITS TRUST AGREEMENT

WHEREAS, the Board of Regents of the University of Idaho ("University") finds there is a need to provide healthcare coverage to its employees;

WHEREAS, University finds it prudent to self-fund such a healthcare plan;

WHEREAS, University has determined said plan should be funded through a trust whose income is not included in the gross income and thus is tax-exempt under Section 115(1) of the Internal Revenue Code of 1986, as amended ("Code");

NOW THEREFORE, effective June 27, 2007 ("Effective Date"), in order to accomplish the foregoing, University hereby establishes this trust ("Trust") by entering into the agreement set forth below ("Agreement").

1.0 DEFINITIONS.

1.1 BENEFICIARY.
As defined by the current medical, pharmacy, dental, and vision contracts contained in the Plan.

1.2 CLAIMS ADMINISTRATORS.
One or more third-party administrators retained by the Plan Sponsor that shall administer the health benefits under the Plan including medical, pharmacy, dental, and vision.

1.3 CONTRIBUTIONS.
The payments by University, employees, dependents and/or retirees to the Trust for the purposes of the Plan and Trust set out in Section 2. 3.

1.4 COVERED SERVICES.
Those services for medical, pharmacy, dental, and vision benefits set out in the Plan.

1.5 DEPENDENT.
As defined under the Plan.

1.6 FUND.
The Trust created by this Agreement, which shall consist of all bank accounts or savings accounts or certificates together with all investments made and held by or for the Trustees, all monies received by the Trustees and any other property received and held by the Trustees for uses, purposes and trusts set forth in this Agreement.

1.7 PARTICIPANT.
Persons who participate in the Trust other than the University, by making contributions to the Fund.

1.8 PLAN.
The one or more documents under which the Plan Sponsor provides medical, pharmacy, dental, and vision benefits to Plan Participants, including without limitation the written agreements between the Plan Sponsor and the Claims Administrators identifying Plan terms and conditions, including general provisions, exclusions, limitations, schedule of benefits, endorsements, and application forms.

1.9 PLAN PARTICIPANTS.
Beneficiaries, enrolled employees, retirees, or families of employees or retirees who have met the eligibility requirements for medical, pharmacy, dental, and vision benefits as set out in the Plan, and who, in a timely manner, have made all required Contributions.

1.10 PLAN SPONSOR.
The University as the entity creating the Plan for the benefit of the Plan Participants is the Plan Sponsor.

1.11 PLAN YEAR.
The Plan Year means each twelve consecutive month period beginning July 1 and ending June 30, except for the first Plan Year beginning on the Effective Date and any shorter last Plan Year.

1.12 TRUSTEES.
The persons designated as Trustees in this Agreement together with their successors.

2.0 ESTABLISHMENT OF TRUST.

2.1 ESTABLISHMENT AND NAME OF TRUST.
University hereby establishes an employee benefit trust, referred to as the University of Idaho Health Benefits Trust ("Trust").

2.2 AGREEMENT BY TRUSTEES.
The undersigned Trustees, by the execution of this Agreement, (i) accept the trusteeship, and (ii) declare that they will receive and hold the Fund assets as Trustees under this Agreement for the uses, purposes, and trusts set forth in this Agreement.

2.3 PURPOSES OF TRUST.

University has established a Plan to provide for the payment of covered services incurred by Plan Participants. The purposes of the Trust are:

2.3.1 To accumulate funds in a trust intended to satisfy the requirements of Code Section 115(1) to pay Plan benefits for Plan Participants;

2.3.2 To receive all contributions to the Plan;

2.3.3 To hold, manage, invest, and reinvest the Trust property and all income from the property, in accordance with the terms of this Trust;

2.3.4 To make distributions from the Trust Fund in accordance with Section 3.3; and

2.3.5 To qualify as a self-funded trust under Idaho state law.

2.4 IRREVOCABILITY OF THE TRUST.
University reserves no right or authority to revoke or terminate the Trust; provided, however, the Trust shall terminate if it no longer serves the purposes for which it is established and in accordance with Idaho law, including without limitation, Section 41-4018 of the Idaho Code and Article 6.0 herein.

2.5 NONINUREMENT.
No part of the net earnings of the Trust (other than through the payment of benefits in accordance with the Plan) shall inure or accrue to the benefit of any private person or entity.

2.6 NOTIFICATION.
The University and/or Trustees will take such action and file such documents that they deem to be appropriate so that the Trust satisfies the requirements of Section 115(1) of the Code.

3.0 ADMINISTRATION AND DISPOSITION OF TRUST FUND.

3.1 CLAIMS.

3.1.1 Authority: The Plan Sponsor, or its designee, shall have full and complete authority, responsibility, discretion and control over the management, administration and operation of the Plan, including without limitation to make all determinations as to the right of any person to a benefit under the Plan and to delegate any responsibilities to another party. The Plan Sponsor shall generally delegate the Plan administration to the Claims Administrators who shall have authority to control and manage the daily operation and administration of the Plan and shall apply rules in a nondiscriminatory manner so that persons entitled to benefits under the Plan are treated similarly. The Trustee shall have full and complete authority, responsibility, discretion and control with respect to all matters pertaining to the Trust and Fund.

3.1.2 Notice: The Plan Sponsor, on behalf of the Trustees, shall cause a written statement or schedule adequately and clearly stating all benefits currently allowable under the Plan, together with all applicable restrictions, limitations, and exclusions, and the procedure for filing a claim for benefits, to be furnished to each Plan Participant.

3.2 CONTRIBUTIONS.

3.2.1 Plan Sponsor Contributions: The Plan Sponsor shall make Contributions to the Trust as it in its sole discretion determines from time to time to provide health benefits under the Plan; provided that for each Plan Year in which the Plan and Trust continue the Plan Sponsor shall make Contributions to the Trust in an amount to be actuarially sound and consistent with statutory requirements, including but not limited to making Contributions in advance. However the Plan Sponsor does not hereby assume any contractual or other obligation as to the continuance of the Plan or the making of future Contributions with respect thereto.

3.2.2 Plan Participant Contributions: Any Contribution to the Trust by Plan Participants shall be by regular, periodic payroll deductions unless allowed otherwise under the Idaho Code.

3.2.3 Receipt of Contributions: The Trustee shall receive and hold as part of the Trust Fund any Contributions paid to the Trustee; provided, however, to the extent applicable law does not otherwise require, the Trustee shall not be required to determine that any Contributions are in compliance with the Plan, shall be accountable only for the funds actually received by it, and shall not be responsible for the adequacy of the Trust Fund to meet and discharge any or all liabilities under the Plan or for the proper application of distributions made upon the written direction of the Plan Sponsor.

3.3 PAYMENT.

The Trustees shall make distributions from the Trust Fund in such amounts and to such person or persons as the Claims Administrators, by direction from the Plan Sponsor through the Plan, or by direction of such persons authorized in writing by the Plan Sponsor to give the direction to provide for the payment of (i) covered medical services, (ii) covered dental services, (iii) covered pharmacy services, (iv) covered vision plan services, (v) such administrative fees charged by the Claims Administrators, and (vi) other such costs and charges related to Trust business. Trustees or their designees may authorize draws upon the Fund. The Trustees shall not be considered the agents of the Claims Administrators.

3.4 SEPARATE ACCOUNTS.

For investment and/or accounting purposes, the assets of the Trust Fund may be held in one or more separate accounts as may be determined by the Trustees, or as may be directed by the University for the sole purpose of complying with GASB or other accounting or legal requirements. All such separate accounts must be consistent with applicable accounting standards. At such time as any amounts shall be paid or delivered to the Trustees, the University shall, if separate accounts have been established, specify to which accounts such amounts shall be credited.

Assets credited to a separate account may be invested on a commingled basis, but if so invested, the separate account must be adjusted on at least a yearly basis to reflect its proportionate share of the appreciation, depreciation, income, expenses, gains, and losses of the Trust Fund for the period.

The accounting for the active employee medical plans shall be separate from the accounting for the retired employee medical plans.

3.5 EXPENSES, RESERVES, SURPLUS AND TAXES.

3.5.1 The Trustees may pay or provide for (i) the payment of all reasonable and necessary expense of collecting the employer and employee Contributions and administering the affairs of the Trust and Fund, including all expenses which may be incurred in connection with the establishment of the Trust and Fund, (ii) the employment of administrative, legal, expert and clerical assistance, (iii) the leasing of premises and the purchase or lease of materials, supplies and equipment which the Trustees, in their discretion, find necessary or appropriate in the performance of their duties, (iv) any cost associated with covered claims or administration of claims for benefits; and (v) any reasonable and necessary expenses of offering, communicating, documenting and maintaining health programs for the benefit of the Plan Participants.

3.5.2 The Trustees shall establish and accumulate as part of the Fund a reserve in an amount certified to by a member of the American Academy of Actuaries as being necessary for payment of claims against the Trust Fund for benefits, including both claims reported and not yet paid and claims incurred but not yet reported. If under the Plan, periodic Contributions of either the University or Plan Participants to the Trust Fund are payable less frequently than monthly, there shall be a reserve for unearned Contributions as computed pro rata on the basis of the unexpired portion of the period for which the Contribution has been paid.

3.5.3 The Trustees shall establish and maintain in the Trust Fund a surplus. For the first Plan Year, the surplus shall be not less than ten percent (10%) of the unpaid claims liability of the Plan. For the second Plan Year the surplus shall be not less than twenty percent (20%) of the unpaid claims liability. For the third Plan Year and every Plan Year thereafter, the surplus shall be not less than thirty percent (30%) of the unpaid claims liability of the Plan.

3.5.4 The Trustees may pay any federal, state or local tax which may be properly levied against the Fund.

3.6 INVESTMENTS.

3.6.1 All funds received by the Trustees under this Trust as part of the Fund shall be deposited by them, or their designees, in the bank or banks that the Trustees designate for that purpose. All withdrawals of funds from such bank or banks shall be made only by check signed by a person or persons authorized by the Trustees to sign or countersign. The Trustees may invest and reinvest (or direct same to a professional investment manager) any part of the Fund which, in their sole judgment, is not required for current expenditures, as provided herein.

3.6.2 In accordance with Section 41-4009 of the Idaho Code, the Trustees shall, at all times, invest and reinvest the Fund and keep the Fund invested, without distinction between principal and income, in the following kinds of investments only:

(1) General obligations of the United States government, or of any state, district, commonwealth, or territory of the United States, or of any municipality, county, or other political subdivision or agency thereof.

(2) Obligations the payment of principal and interest of which is guaranteed by any such government or agency.

(3) Corporate bonds and similar obligations meeting the requirements specified for investment of funds of insurers under Section 41-711 of the Idaho Code.

(4) Collateral loans payment of principal and interest of which is adequately secured by securities in which the Trust Fund could lawfully invest directly.

(5) Deposits, savings accounts, and share accounts in established banks and savings and loan associations located in the United States.

Such investment as to any one (1) such institution shall not be in excess of the amount covered by applicable deposit, savings, and share account insurance.

(6) Investments as permitted by sections 41-714 (common stock of publicly traded domestic and foreign corporations) and 41-716 (securities of any open-ended management type investment company or investment trust) of the Idaho Code, provided that the combined amount of such investments shall not exceed ten percent (10%) of the total assets of the Trust Fund.

(7) And in any other property or securities that are legal for investment of trust funds under the laws of the State of Idaho.

3.6.3 The Trustees are expressly prohibited from investing Trust Fund assets in:

(1) Any loan to or security of the University, or to or of any officer, director, subsidiary or affiliate of the University.

(2) The security of any person in which the Trustees, Committee, or any consultant of the plan has a direct or indirect material pecuniary interest.

(3) Real estate or loans thereon, or any personal loan.

3.6.4 All investments shall be made and held in the name of the Trust Fund, and the interest and yield thereon shall inure to the account of the Fund. No investment shall be made unless authorized in writing by the Trustees and must be so shown in the records of the Fund. Any person who authorizes any investment of Fund assets in violation of Section 41-4009 of the Idaho Code shall, in addition to other penalty therefore, be liable for all loss suffered by the Fund on account of the investment. No investment made in violation of this Section shall constitute an "asset" in any determination of the financial condition of the Fund.

3.7 TITLE TO ASSETS AND TRUST OBLIGATIONS.

The Trustee is vested with title to all the assets of the Trust Fund and shall have full power and authority to do all acts necessary to carry out its duties hereunder. The interest of each Participant hereunder shall be deemed to be personalty only and no Participant shall have any individual ownership interest in any Trust asset. Conveyances, assignments, transfers and deliveries of Trust assets by the Trustee alone shall pass all titles, rights and interests held hereunder. The liability for any Plan benefits is specifically limited to the assets of the Fund, including any Contributions receivable from the University and Participants.

3.8 INTEREST.

The Trust shall not be required to pay interest on University or Participant Contributions to the Fund.

3.9 SPENDTHRIFT CLAUSE.

No Trust Funds shall be:

3.9.1 Assigned or encumbered by any Participant;

3.9.2 Attached by or subjected to the interference or control of any creditor of any Participant or University; or

3.9.3 Reached by any legal or equitable process in satisfaction of any debt or liability of any Participant other than provided by statute.

3.10 VALUATION OF ASSETS.

The Trustees shall determine the value of the assets of the Fund as of such dates as the Trustees may deem appropriate or upon the request of the University on a given date. . Assets shall be valued at their market values at the close of business on the date of valuation, or in the absence of readily ascertainable market values, at such values as the Trustees shall determine, in accordance with methods consistently followed and uniformly applied.

3.11 POWERS OF THE TRUSTEES.

In administering the Fund, the Trustees shall be authorized to exercise the following powers, all of which shall be exercised by the Trustees in a fiduciary capacity, and in the best interest of the Fund and the Beneficiaries thereof.

3.11.1 To vote in person or by proxy, or to refrain from voting, with respect to any securities held by the Fund, and to enter into any voting trust or similar agreement relating thereto;

3.11.2 To consent or object to any action or non-action of any corporation, or of the directors, officers or stockholders of any corporation, with respect to any investment;

3.11.3 To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Fund, provided, however, that the Trustees shall not be authorized to settle, compromise or submit to arbitration any claims for benefits submitted by or on behalf of any Plan Participant or beneficiary under the Plans;

3.11.4 To deposit any property with any protective, reorganization or similar committee; to delegate power thereto; and to pay, or agree to pay, part of its expenses and compensation and any assessments levied with respect to any property so deposited;

3.11.5 To deposit securities with custodians or securities clearing corporations or depositories or similar organizations, whether located within the State of Idaho or elsewhere in the United States or abroad, except that the indicia of ownership of any property shall not be maintained outside the jurisdiction of Idaho state courts;

3.11.6 To commence or defend suits or legal proceedings; and to represent the Fund in all suits or legal proceedings in any court or before any other body or tribunal (provided, however, that the Trustees shall have no obligation to take any legal action for the benefit of the Fund unless it shall be first indemnified for all expenses in connection therewith, including reasonable attorneys' fees);

3.11.7 To establish one or more bank accounts (of any type) in the name of the Trust and to keep all or a portion of the assets of the Fund in any such accounts;

3.11.8 To apply for, accept, hold and act as owner and policyholder of, and to administer insurance policies, from time to time for policies that they determine to be necessary or that the University request they obtain, provided such request is consistent with best business practices, , and to pay premiums or fees with respect to such policies as they become due;

3.11.9 To execute and deliver such instruments and to take any and all actions to the extent necessary or desirable to carry out any of the foregoing powers or as are otherwise in the best interests of the Fund;

3.11.10 To employ suitable agents, custodians and counsel and, as part of its reimbursable expenses under this Agreement, to pay their reasonable expenses and compensation;

3.11.11 To appoint ancillary trustees to hold any portion of the assets of the Trust and to pay their reasonable expenses and compensation;

3.11.12 To register any securities held by it hereunder in its own name, in the name of its nominee, in the name of its agent, or in the name of its agent's nominee, with or without the addition of words indicating that such securities are held in a fiduciary capacity, and to hold any securities in bearer form and to deposit any securities or other property in a depository or clearing corporation;

3.11.13 To make, execute and deliver, as Trustees, any and all deeds, leases, conveyances, waivers, releases or other instruments in writing necessary or desirable for the accomplishment of any of the foregoing powers;

3.11.14 To seek legal redress on behalf of the Fund as the Trustees deems necessary and appropriate; and

3.11.15 Generally, to do all acts, exclusive of acts delegated to investment managers,' which the Trustees may deem necessary or desirable for the protection of the Fund and administration of the Trust.

3.12 INVESTMENT MANAGERS.
The Trustees from time to time, may appoint one or more investment managers to manage the investment of any portion of the Trust Fund, with the written consent of the University, which shall not be unreasonably withheld. The Trustees shall have an investment management agreement with any and all investment managers employed to invest a portion of the Trust Fund. Any directions to an investment manager from the Trustees shall be in writing and shall be signed by both parties authorized to act on behalf of each party.

4.0 TRUSTEES.

4.1 TRUSTEES.
There shall be four Trustees. Any University employee may be a Trustee, except the President, the Vice President for Finance and Administration, and the Assistant Vice President for Human Resources. The initial four Trustees (and successor Trustees) shall be those individuals who are appointed by the University and who accept such appointment by fixing their signatures to this Agreement (or to amendments hereto).

4.2 TERM.
Each Trustee shall continue to serve as Trustee until the Trustee's death, incapacity, resignation or removal as provided in this Agreement.

4.3 RESIGNATION.
A Trustee may resign from all further duty or responsibility under this Agreement upon giving thirty (30) days notice in writing to the President of the University, or such shorter notice as the University may accept as sufficient. The notice shall state a date when the Trustee's resignation shall take effect. The resignation shall take effect of the date specified in the notice unless a successor Trustee shall have been appointed at an earlier date, in which event the resignation shall take effect immediately upon the appointment of the successor Trustee.

4.4 REMOVAL.

A Trustee may be removed from office at any time by a written notice signed by the President and Vice President for Finance and Administration, which shall be sent by registered or certified mail and which shall state a date when the removal shall take effect.

4.5 SUCCESSOR TRUSTEE.

4.5.1 In case any of the Trustees shall die, become incapable of acting under this Agreement, resign, or be removed, a successor Trustee shall promptly be appointed by a written notice signed by the President of the University and the Vice President for Finance and Administration. Until the appointment of a successor Trustee, the remaining Trustees by majority vote shall have full power to act under this Agreement.

4.5.2 A successor Trustee shall become vested with all the property, rights, powers, and duties of a Trustee upon (i) appointment as a successor Trustee, and (ii) acceptance by such successor Trustee of the trusteeship in a writing filed with the Trustees.

4.6 MEETINGS.

4.6.1 The Trustees shall meet regularly, at least once each calendar quarter, and at other times as is necessary to carry out the business and responsibilities of the Plan and Trust. Any one of the Trustees may call a meeting of the Trustees at any time, in person, by telephone or by e-mail, by giving at least forty-eight (48) hours written or e-mailed notice of the time and place of the meeting to the remaining Trustees; however, such notice may be waived by agreement of the Trustees.

4.6.2 The Trustees may conduct ministerial and administrative duties (e.g. paying legitimately presented bills) by voting via e-mail, without notice, but a record of such action must be made and stored.

4.7 ACTIONS BY TRUSTEES.
The four (4) Trustees shall act by a majority vote needed of three (3). Any person serving as Trustee may take any action or execute any document in the name of and on behalf of the Trust Fund and the other persons serving as Trustee, once duly approved and authorized by the Trustees, and unless the University or the persons serving as Trustee provide otherwise. The decision of the Trustee in matters within its jurisdiction shall be final, binding, and conclusive upon all interested or concerned parties.

4.8 PERSONS DEALING WITH TRUSTEE.

No person contracting or in any way dealing with the Trustee shall be under any obligation to ascertain or inquire (i) into any powers of the Trustee, (ii) whether such powers have been properly exercised or (iii) about the source or application of any funds received from or paid to the Trustee, and such person may rely on the Trustee's exercise of any power or authority as conclusive evidence that he or she possesses such power and authority. This Section shall not apply to any person who is a fiduciary with respect to the Plan or Trust.

4.9 VOTING.
Each Trustee shall have one vote on all matters in any meeting of the Trustees.

4.10 ADDITIONAL POWERS.

4.10.1 In addition to the Powers set out in Section 3.11, the Trustees shall have all powers specified herein, and as further provided in the Idaho Uniform Trustees' Powers Act, as amended, and any other applicable statute or rule of law.

4.10.2 The Trustees, the University, and each investment manager shall discharge their respective duties provided for under this Agreement with respect to the Fund in a fiduciary capacity and solely in the interest of the Beneficiaries with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims. The duties of the Trustees shall only be those specifically undertaken pursuant to this Agreement.

4.11 PROHIBITED POLITICAL OR PECUNIARY INTERESTS IN PLAN MANAGEMENT.

4.11.1 In accordance with Section 41-4015 of the Idaho Code, no Trustees, or other person having responsibility for the management of the Plan, or the investment or other handling of Trust Fund assets shall:

(1) Receive directly or indirectly or be pecuniarily interested in any fee, commission, compensation, or emolument, other than salary or other similar compensation regularly fixed and allowed for services regularly rendered to the Plan, arising out of any transaction to which the Trust Fund is or is to be a party.

(2) Receive compensation as a consultant to the Plan while also acting as a Trustee or administrator, or as an employee of either.

(3) Have any direct or indirect material pecuniary interest in any loan or investment of the Trust Fund.

4.11.2 No consultant to the Plan or Fund shall directly or indirectly receive or have any pecuniary interest in any commission or other compensation arising out of any contract or transaction between the Trust Fund and any insurer, health care service corporation, health maintenance organization or other provider of health care services or of drugs or other health care needs and supplies.

4.11.3 No Trustee shall make or knowingly permit the making, directly or indirectly, of any political contribution by or from the Fund.

4.12 INTERPRETATION.
The Trustees shall have full and complete authority, discretion and power to construe the provisions of this Agreement. Any construction adopted by the Trustees that is not inconsistent with the provisions of the Plan shall be binding upon Plan Participants, Participants, University, the Claims Administrator and all others claiming by or through any of them by assignment, bequest or otherwise.

4.13 PAYMENT OF ADMINISTRATIVE EXPENSES.

4.13.1 All reasonable expenses incurred in administering the Plan and Trust, including but not limited to administrative fees and expenses owing to any third-party administrative service provider, actuary, consultant, accountant, specialist, or other person or organization that may be employed by the Trustees in connection with the administration of the Plan, insurance premiums, bond premiums for Trustees' coverage, or premiums for University self insurance, shall be paid out of the Fund. In the first twelve months of operation of the Fund, the University shall provide adequate contributions to cover initial administrative fees and expenses. In subsequent years, if the Fund is inadequate to cover administrative fees and expenses, Trustees may apply to the University for additional Fund contributions.

4.13.2 At the request of the Trustees, the University will provide administrative services and use of facilities and equipment to the Trustees. Services to be provided may include financial management, accounting services, investment management, information technology services, and other services as requested, provided such requests fall within permissible services to be provided to affiliated foundations under Section V.E. of the policies of the State Board of Education, as they are now and as they may be amended in the future, and provided that the Fund is at all times clearly segregated from all University accounts and established in separate accounts pursuant to this Agreement. After the first twelve months, for any and all services requested, University shall charge its cost for providing such services, through monthly detailed invoices. University shall not charge for services in the first year, and shall not charge for facilities and equipment used by the Trustees on behalf of the Trust.

4.14 RULES AND REGULATIONS.
The Trustees may adopt and promulgate such rules and regulations as may, in their discretion, be proper and necessary for the sound and efficient administration of the Trust

4.15 LIABILITY AND INDEMNITIES.
To the extent permitted by law, the Trustees shall not incur any liability for any acts or for failure to act except for willful misconduct or dishonesty, and the University or applicable insurance carrier hereby agrees to indemnify each Trustee for and to hold him or her harmless against any and all liabilities, losses, costs or expenses (including legal fees and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against him or her at any time by reason of his or her service under the Plan if he or she did not act dishonestly or otherwise in willful violation of the law under which such liability, loss, cost or expense arises. This indemnity shall not preclude such other indemnities as may be available under insurance purchased or provided by the University or under any agreement with the University to the extent permitted by law. Payments under this Section shall not be made from Trust Fund assets. University or any applicable insurance carrier shall also supply counsel, and pay all attorney fees incurred by Trustees in defense of any action.

4.16 TRUSTEES RELIANCE.
The Trustees may rely upon any certificate, notice or direction of the University which the Trustees believe to be genuine and to have been signed by a duly authorized employee of the University. Communications from the University to the Trustees shall be sent to the Trustees' office as stated above or to such other address as the Trustees shall specify,.

4.17 RECORDS AND ACCOUNTS.

4.17.1 In accordance with Idaho Code § 41-4011, the Trustees shall keep accurate and detailed accounts of all investments, receipts, disbursements, earnings on contributions for each year in which the Trust is effective and all other transactions hereunder. The Trustees shall keep records indicating the amount contributed by the University, by Plan, and the amount and type of benefits paid by the Trust. All accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times, with prior notice to the Trustees, by any persons designated by the University.

4.17.2 Within 90 days next following (i) the close of each fiscal year of this Trust, which shall be the 12-month period ending on June 30 of each year, (ii) the removal or resignation of a Trustee as provided in Section 9.3 hereof, (iii) the effective date of termination of the Trust, (iv) the withdrawal and transfer of a substantial portion of the Fund to another trust in accordance with the terms of the Trust, and (v) at such other times as shall be requested by the University, the Trustees shall file with the University and the State of Idaho Department of Insurance a written accounting setting forth all investments, receipts, disbursements, earnings on contributions with respect to the Plans funded, and in the aggregate, for each year in which the Trust is effective and all other transactions effected by the Trustees or reported to it by such investment managers as may be appointed hereunder during each fiscal year or during the period from the close of the last such fiscal year to the date of such removal or resignation. The accounting shall be certified by the accountant by whom such information was prepared or audited. In addition, the Trustees shall file quarterly unaudited financial reports in a form and at the time prescribed by the State of Idaho Department of Insurance, with copies to the University. Within 30 days from the date of filing such annual or other accounting, the Trustees also will serve copies of such accounting upon any persons designated by the University as having administrative responsibility with respect to any Plan if requested by the University.

4.18 BONDING.

As required by Idaho state law, the Trustees shall cause all individuals handling receipts and disbursements for the Fund to be bonded or comparably covered by a crime policy at all times under a fidelity bond or other surety issued by a surety or other insurer authorized to transact such insurance in the State of Idaho. The bond or crime policy shall be in favor of the Fund and shall be in an amount equal to the greater of ten percent (10%) of the Contributions received by the Plan or ten percent (10%) of the benefits paid during the preceding year. For the first year, without operating information from the preceding year, the bond or crime policy shall be in an amount equal to ten percent (10%) of the contributions projected to be received by the Plan during its first year of operation. The amount of any bond or crime policy shall be not less than twenty-five thousand dollars ($25,000) or more than five hundred thousand dollars ($500,000). The bond or policy shall be non-cancellable except upon not less than thirty (30) days in advance notice in writing to the Trustees and the Department of Insurance. The cost of the bond or comparable crime policy shall be borne by the Fund.

5.0 AMENDMENTS.

5.1 ENTIRE AGREEMENT.

This Trust Agreement constitutes the entire agreement between University and the Trustees and shall not be deemed to be varied, altered or amended by any other statement representation or agreement by or between any person or persons whomsoever, whether written, oral or implied in any way, except as provided in this Agreement.

5.2 AMENDMENT.
The parties to this Agreement may, at any time and from time to time, by instrument in writing executed pursuant to appropriate authorizations amend in whole or in part any or all of the provisions of this Agreement, provided, however, that no amendment or modification may be made that would permit any part of the corpus or income of the Fund to be used for, or diverted to, purposes other than for the exclusive benefit of the Plan Participants, and/or for the payment of administrative expenses, to the extent permitted by applicable law. Any such amendment shall become effective upon receipt by the Trustees of the instrument of amendment and endorsement thereon by the Trustees of its consent thereto, if such consent is required.

5.3 NOTICE.
The Trustees shall (i) immediately notify University, the Claims Administrators and other interested parties of any amendment to this Agreement, and (ii) execute any instrument or instruments in connection with the amendment.

6.0 TERMINATION OR DISCONTINUANCE OF THE PLAN.

6.1 APPLICATION OF FUNDS.
In the event of termination or discontinuance of the Plan, the Trustees shall apply the Fund to the continuation of providing benefits and to provide for payment of reasonable and necessary expenses incurred in termination of the Fund, until the Fund is exhausted. In the event of termination or discontinuance, University and Participant contributions shall be used to carry out purposes of the Trust as provided in this Agreement.

6.2 DISSOLUTION.
Upon termination or discontinuance of the Plan, or termination of registration pursuant to Idaho Code section 41-4018, the University shall immediately notify Trustees, who shall continue as Trustees for the purposes of dissolution and liquidation and may take any action that may be appropriate or required.

6.2.1 If the Plan or registration thereof is terminated, or if the Plan is discontinued, then there shall be a plan of liquidation for the Trust, in writing, and filed with and approved by the State of Idaho Department of Insurance as required by state law. Any balance remaining in the Fund after payment or adequate provision for all claims and charges against the Fund shall be disposed of in such manner as is provided for in the plan of liquidation. Unless under the plan of liquidation, liability for all unpaid claims and obligations of the Fund has been assumed by other financially responsible person or persons, the existence of surplus funds for such disposition shall not be determined prior to expiration of two (2) years after termination or discontinuance. The plan of liquidation, after such plan has been approved by the Department of Insurance, if applicable, shall be binding upon all persons with pecuniary interest in the Fund. Pending the effectuation of the plan of liquidation, the Trustees may impose such prohibitions or restrictions upon disbursement or use of Trust assets as it deems advisable for the protection of all interested persons.

6.2.2 In the event of termination or discontinuance of the Plan, the assets of the Trust, to the extent not required to be addressed or covered under an approved plan of liquidation pursuant to Idaho Code section 41-4019,shall be held by the Trustees, in trust, and shall be directed to the payment of unpaid benefits, insurance premiums and/or administrative expenses under the Plan, and other duly incurred obligations of the Trust, in accordance with the provisions of this Agreement relating to such payments until such assets have been exhausted. In no event shall the assets of the Trust be returned to the University upon dissolution of the Trust unless permitted by applicable law. Upon termination of the Plan and satisfaction of all liabilities to existing Plan Participants, any assets remaining in the Trust may be applied to provide other permissible benefits or as otherwise permitted by applicable law.

7.0 MISCELLANEOUS PROVISIONS.

7.1 PAYROLL INFORMATION.

University shall promptly furnish to the Trustees, on demand, such payroll information and data with respect to the individual employees benefiting from this Agreement that the Trustees may require in connection with the administration of the Trust and the Plan. Payroll information and data shall be limited in nature to matters such as name, classification, social security number, hours worked or other information necessary to affirm eligibility for benefits. The Trustees, or their authorized representatives, may examine the pertinent payroll records of the employer with respect to the individual employees benefiting from this Agreement whenever an examination is deemed necessary or advisable by the Trustees in connection with the proper administration of the Trust and the Plan. Such information shall be kept confidential to the extent required by the Idaho Public Records Law I.C. § 9-340C and 9-348, and any other applicable law.

7.2 THIRD PARTY INTEREST.

No Participant, nor any person claiming by or through a Participant, employer, person, partnership, corporation or association, nor any person entity claiming by or through any one of them by reason or assignment, bequest or any other means shall have any right, title or interest in the Fund or any part of the Fund. However, any Participant who is actually covered by the Plan is entitled, subject to the terms and condition of the Plan, to the benefits provided under the Plan in the amount and to the extent provided in the Plan.

7.3 THIRD PARTY RELIANCE.

No person, partnership, corporation or association dealing with the Trustees shall be required (i) to see to the application of any funds or property of the Trust, (ii) to see that the terms of the Trust have been complied with, or (iii) to inquire into the necessity or expediency of any act of the Trustees. Every instrument effected by the Trustees shall be conclusive in favor of any person, partnership, or corporation relying on such instrument that:

7.3.1 At the time of the delivery of the instrument the Trust was in full force and effect;

7.3.2 The instrument was effected in accordance with the terms and conditions of this Agreement; and

7.3.3 The Trustees were duly authorized and empowered to execute the instrument.

7.4 PARTIES TO AGREEMENT.
No person or entity other than the Trustees or their lawful successors and University shall be considered a party to this Trust Agreement.

7.5 CONFLICTS OF LAW.
Whenever conflicts between Idaho Code Title 41, Chapter 40, and any other statute occur as to the interpretation of this Agreement, Title 41, Chapter 40 shall control.

7.6 SEGREGATION OF ASSETS.
The University may, if it so determines, at any time and from time to time, designate any group or groups of the eligible Plan Participants a separate class and may direct the Trustees to segregate in a separate fund, to be held for the benefit of such class, the part of the Fund allocable to such class as determined by the University or by an actuary appointed by the University, or of some lesser amount than such allocable part if the University or such actuary shall determine that other equitable provision is made for the difference. The University shall cause the Trustees to effect such segregation by delivering to the Trustees a certified copy of the University's or such actuary's determination, together with a certified copy of an approved motion of the Board of Regents of the University directing such segregation. The Trustees may rely conclusively and without investigation upon any such certified copy of such determination and such resolution and shall segregate such assets as the University may direct. The Trustees' valuation of such assets for that purpose shall be conclusive. The Trustees shall hold all of the assets so segregated under this provision, together with such payments as shall thereafter be made to the Trust in behalf of such class, and the income therefrom, as a subpart of the Fund and subject to the terms of this Agreement, or shall dispose of the same as directed by the University pursuant to the terms of this Agreement. In the event that the Trust or any subpart thereof created by this Agreement shall be

terminated as to such class, the University shall direct the disposition of the assets held by the for such class through transfer to a successor trust, the payment of insurance premiums, or other means permitted by applicable law, as the University shall determine, and thereafter such Plan Participants shall not have any rights in the Fund, or against the Trustees. University or any applicable insurance carrier shall defend and indemnify Trustees for any actions, claims, demands or lawsuits brought against Trustees for actions taken pursuant to this paragraph. University or any applicable insurance carrier shall also supply counsel, and pay all attorney fees incurred by Trustees in said defense.

7.7 NONDIVERSION OF THE FUND.

Except as may otherwise be expressly provided herein, at no time shall any part of the Fund be used for, or diverted to, any purposes other than the purpose of providing health care benefits under the Plan, or other permissible benefits allowed under applicable law, to those eligible Plan Participants entitled to benefits under this Trust, and for defraying the reasonable expenses of the Plan and Trust in the manner and to the extent provided in this Agreement; provided, however, that to the extent permitted by applicable law, contributions to the Trust may be returned to the University or Plan Participants under circumstances where: (i) the Trust does not qualify under applicable law such as Code Section 115(1) and the contribution is returned within one year after the Trust is found to not so qualify; (ii) a reversion of Trust assets after the payment of all obligations under the Plan is determined to be required to comply with Code Section 115(1); or (iii) the contribution was made due to a mistake of fact and the contribution is returned within one year of the mistaken payment. In the case of a mistake of fact, the return of contributions is limited to that portion of the contribution as to which there actually was a mistake of fact. A returned contribution does not include the earnings attributable to the contribution but it is reduced by any losses attributable thereto.

7.8 PROHIBITION ON ASSIGNMENT OR ALIENATION OF EQUITABLE INTERESTS.

The interests of the Plan in the assets, earnings and profits of the Trust shall not be subject to garnishment, assignment, attachment, levy or execution of any kind for the debts, defaults, bankruptcies or escheats of any person, natural or legal, having, or claiming to have, an interest in the Trust or in the Plan. In accordance with Section 41-4008 of the Idaho Code, this Section shall not prohibit levy upon the Fund by any provider (or assignee) for health care services rendered to a beneficiary if the Fund has theretofore agreed in writing to pay the same directly to such provider.

7.9 TAX EXEMPTION.

The Trust, including contributions into the Fund, the accumulation of interest or other earnings in the Fund, and payments from the Trust for qualified expenses, is intended to be exempt from all United States and State taxation, including income taxes, except for the franchise tax as applicable in Idaho Code § 41-4012, as provided in Idaho State Law and under applicable federal laws and regulations.

8.0 SITUS AND CONSTRUCTION OF TRUST.

8.1 SITUS.
The Trust Fund is situated in the State of Idaho.

8.2 GOVERNING LAW, JURISDICTION, AND VENUE.
This Agreement shall be construed and interpreted in accordance with the laws of the State of Idaho and the United States Internal Revenue Code. The parties agree that the state courts of Idaho shall have exclusive jurisdiction and agree that Latah County is the proper venue.

8.3 SEVERABILITY.
The invalidity of any portion of this Agreement, as determined by a court of competent jurisdiction, shall not affect the validity of any other portion of this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date indicated below.

DATED this 26 day of June, 2007.

UNIVERSITY OF IDAHO:

by: Lloyd E. Mues
Lloyd E. Mues, Vice President of Finance and Administration

State of Idaho

County of Latah

Subscribed and sworn/affirmed to before me this 26 day of June, 2007.

DEBRA L. E... NOTARY PUBLIC STATE OF IDAHO

Debra L. Ewing

Notary Public

My Commission Expires: 7/21/2010

TRUSTEES:

Bruce Pitman

State of Idaho

County of Latah

Subscribed and sworn/affirmed to before me this 26 day of June, 2007.

Debra L. Eisinger

Notary Public

My Commission Expires: 7/21/2010

DEBRA L. EISINGER NOTARY PUBLIC STATE OF IDAHO

Jeff Young

State of Idaho

County of Latah

Subscribed and sworn/affirmed to before me this 26 day of June, 2007.

Debra L. Eisinger

Notary Public

My Commission Expires: 7/21/2010

DEBRA L. EISINGER NOTARY PUBLIC STATE OF IDAHO

John Keats III

John Keats

State of Idaho

County of Latah

Subscribed and sworn/affirmed to before me this 26 day of June, 2007.

Debra L. [illegible]

Notary Public

DEBRA L. [illegible] NOTARY PUBLIC STATE OF IDAHO

My Commission Expires: 7/21/2010

Joy S. Fisher

Joy S. Fisher

State of Idaho

County of Latah

Subscribed and sworn/affirmed to before me this 26 day of June, 2007.

Debra L. [illegible]

Notary Public

DEBRA L. NOTARY PUBLIC STATE OF IDAHO

My Commission Expires: 7/21/2010

State of Idaho

DEPARTMENT OF INSURANCE

C.L. "BUTCH" OTTER
Governor

700 West State Street, 3rd Floor
P.O. Box 83720
Boise, Idaho 83720-0043
Phone (208)334-4250
FAX # (208)334-4398

WILLIAM W. DEAL
Director

February 1, 2008

John C. Keatts III
Manager General Accounting
University of Idaho
PO Box 443166
Moscow ID 83844-3166

RE: Registration of Self-Funded Employee Health Care Plan
University of Idaho Health Benefits Trust

Dear Mr. Keatts:

We are pleased to enclose Idaho Certificate of Registration No. 3857, issued to the above referenced company effective January 30, 2008.

Please review the enclosed Certificate. If you feel that an error may have been made in any area of the Certificate, please contact the Department immediately at the above address or telephone number. Please make this Certificate a part of your a permanent file.

It is expected that the company will at all times comply with the laws of the State of Idaho. Information pertaining to Idaho's law and rules may be obtained on our website at www.doi.idaho.gov

Sincerely,

Carol Anderson
Technical Records Specialist
Examinations Section

cc: Shad Priest, Deputy Director
Georgia Siehl, Bureau Chief
Martha Hopper Smith, Sr. Financial Analyst
Kathy Miller, Premium Tax Specialist
Gina McBride, Consumer Affairs Supervisor
Reesa Brown, Financial Examiner Senior

Equal Opportunity Employer

State of Idaho
Department of Insurance

CERTIFICATE OF REGISTRATION

Number 3857

THIS CERTIFIES, THAT

UNIVERSITY OF IDAHO HEALTH BENEFITS TRUST
organized in Idaho

Having presented satisfactory evidence of compliance with the requirements of Title 41, Chapter 40, Idaho Code regulating the operation of self-funded employee health care plans in the State of Idaho, this Certificate of Registration is hereby granted to said Trust to transact such business in the State of Idaho.

Expiration Conditions:

This Certificate of Registration is expressly conditioned upon the holder hereof remaining in full compliance with, and not in violation of, any of the applicable laws and requirements of the State of Idaho. It shall at all times remain the property of the State of Idaho, and shall continue and remain in full force and effect from the date shown hereon, until expired, suspended, revoked or until otherwise terminated.

Expiration, suspension or revocation may cause termination of the plan's authority to conduct the business of a self-funded health care plan in the State of Idaho and this Certificate of Registration must forthwith be returned to the Department of Insurance of the State of Idaho. In addition termination may occur for failure of payment of the continuation fee, all taxes and filing of a properly completed annual statement with the Director of Insurance within ninety (90) days after close of fiscal year of the Plan.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the Official Seal of the Department of Insurance to be affixed at Boise, Idaho, on this day, 01/30/08.

William Deal

William W. Deal
Director

State lawmakers approve tailored healthcare for BYU-Idaho

Stephanie Hale-Lopez

POSTED: 06:02 PM MDT Apr 12, 2013

State lawmakers approve tailored healthcare for BYU-Idaho

REXBURG, Idaho - The Affordable Care Act requires health insurance policies to provide certain benefits that are morally objectionable by church-sponsored universities, like BYU-Idaho.

Although the Idaho Legislature enacted laws that prohibit insurance companies from offering abortions; the act still requires access to contraceptives and medications that induce abortions.

"They shouldn't have to provide something that their moral convictions tell them isn't appropriate," said Brent Hill, state senator.

Lawmakers said it's all about protecting religious liberties. Both the house and the senate gave BYU-Idaho the go ahead to manage its own health plan for students without going through an insurance company.

"There was a provision that a university could provide a self-funded plan to their own students, where they're not using an insurance company, but they're funding it themselves, collecting premiums from students," said Hill.

The university issued this statement:

"BYU-Idaho welcomes the opportunity to pursue other health insurance options that allow the university to keep costs down for students, to ensure all students have coverage, and to provide coverage that is consistent with our values as an institution," - Marc Stevens, university spokesman.

But students on campus had mixed feelings.

"I have no strong opinion, I'm just on my parent's insurance," said Rhett Fullmer.

"Having our own insurance, it makes sense because we're a private school," said Kristin Melville. "We don't need to do exactly what the government does, but we do what we need to."

"Students are going to have sex here whether or not the school allows it, so taking that option away from them, I don't think it's very smart," said Garrett Allen.

"I think it's good students have the option to choose that insurance if they want it," said Andrew Timmons.

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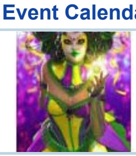
- Woman arrested at funeral
- Blizzard hits central US, heads Northeast
- BYU-Idaho reports record enrollment
- Government sells scandalized Teapot Dome oilfield for $45M

Event Calendar



Naughty Gras Idaho
Sat Feb 7 8:00PM
More Info

Events Near You

Today Tomorrow Weekend

2015 POW*MIA Awareness Rally Super Bowl...
Pocatello

From Stone to Glass: Wildlife Sculpture...
Jackson

At the moment, BYU-I is the only university in the state that will manage its own health insurance.

The new legislation takes effect July 1.

RELATED CONTENT

Friday high school scores, January 30

Local group meets in opposition to national monument

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patriot6280 · 2 years ago

"Students are going to have sex here whether or not the school allows it, so taking that option away from them, I don't think it's very smart," said Garrett Allen.

Probably the most ridiculous (and ignorant) statement he could make. I'm not saying he's wrong about students at BYUI having sex. It happens. But they generally don't remain students there if it does (it violates the agreement they signed, and they are dis-enrolled once it's known) . Secondly, the University will never say "Well, it's going to happen so we'll just provide them with the means to violate the contract they signed before attending." Anyone who disagrees with the policies and standards at BYUI is welcome to attend elsewhere. I never have understood why people who vehemently disagree with an organization's stated mission and belief system are so determined to be a part of that same organization.

6 | · Reply · Share ›

Collect_Call_of_Cthulhu → patriot6280 · 2 years ago

I think Mr. Allen was speaking more for the broad term, and lacks the capacity to link contraception and a one night stand to having a vaginal lobotomy.....anyways, since BYU-I does have a moral decree, what do they tell married couples living on campus? No sex? F that. If that's the case, I'll pray to God and ask why it was OK for him to knock up a married chick.

2 | · Reply · Share ›

patriot6280 → Collect_Call_of_Cthulhu · 2 years ago

Mr Collect, you, Mr Average, and Mr Allen appear to have missed the most important line of the article:

STATEMENT OF PURPOSE

RS22017

The legislation when enacted will amend existing chapter 40, title 41, Idaho Code, currently relating to employer-based self-funded health care plans, to provide that certain qualified public or private postsecondary educational institutions may, as a plan sponsor, establish a self-funded student health benefit plan and trust for student and dependent beneficiaries and the regulation of such plans and trusts.

FISCAL NOTE

None

Contact:
Senator Brent Hill
(208) 332-1300
Representative Dell Raybould
(208) 332-1173

Statement of Purpose / Fiscal Note **H0199**

University of Idaho

Preliminary Estimate of Reserves Needed as of June 30, 2015 - Under Various Scenarios

	Prior Legislation	*New Legislation - Method A*	*New Legislation - Method B1*	*New Legislation - Method B2*	*New Legislation - Method B3*	*New Legislation - Method B4*
ASL Attachment Limit	*125%*	*125%*	*125%*	*120%*	*115%*	*110%*
ASL/ISL Claims Included	*Medical Only*	*Medical Only*	*Medical & Rx*	*Medical & Rx*	*Medical & Rx*	*Medical & Rx*
March 31, 2014 Claim Reserve (less expenses)	$ 1,937,000	$ 1,937,000	$ 1,937,000	$ 1,937,000	$ 1,937,000	$ 1,937,000
March 31, 2014 Expense Reserve	$ 224,000	$ 224,000	$ 224,000	$ 224,000	$ 224,000	$ 224,000
Projected June 30, 2015 Claim Reserve	$ 2,052,000	$ 2,052,000	$ 2,052,000	$ 2,052,000	$ 2,052,000	$ 2,052,000
Projected June 30, 2015 Expense Reserve	246,000	246,000	246,000	246,000	246,000	246,000
Surplus Requirement						
130% of June 30, 2015 Reserve	689,000	-	-	-	-	-
3 Months CY 2015 Contributions*	-	6,701,000	-	-	-	-
110% of Difference Between CY 2015 ASL Limit + Expenses and CY 2015 Contributions	-	-	4,821,000	3,755,000	2,690,000	1,625,000
Total June 30, 2015 Reserve Level	**$ 2,987,000**	**$ 8,999,000**	**$ 7,119,000**	**$ 6,053,000**	**$ 4,988,000**	**$ 3,923,000**
Increase/(Decrease) from Current Legislation		$ 6,012,000	$ 4,132,000	$ 3,066,000	$ 2,001,000	$ 936,000
Additional Cash Cost of Insurance			$ 117,000	$ 217,000	$ 353,000	$ 574,000

* CY 2015 contributions reflect 100% actuarial funding rates for medical, Rx, dental, vision, and miscellaneous expenses

Notes:

- Assumes no unearned premium reserve is needed
- Assumes no contribution deficiency reserve is needed
- Assumes constant lag times and enrollments, relative to March 31, 2014 claim reserve
- Does not reflect any offsets for Rx rebates or EGWP subsidies

DRAFT

DRMPN162

LEGISLATURE OF THE STATE OF IDAHO

Sixty-third Legislature First Regular Session - 2015

AN ACT

RELATING TO SELF FUNDED INSURANCE PLANS; AMENDING SECTION 41-4003, IDAHO CODE, TO PROVIDE THAT INSURANCE PLANS ADMINISTERED BY OR FOR THE ANY INSTITUTION OF HIGHER EDUCATION WITH AUTHORITY TO ADMINISTER A SELF-FUNDED PLAN AUTHORIZED BY THE STATE BOARD OF EDUCATION OR THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO SHALL NOT BE REQUIRED TO BE REGISTERED WITH THE STATE DEPARTMENT OF INSURANCE; AND DECLARING AN EMERGENCY.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 41-4003, Idaho Code, be, and the same is hereby amended to read as follows:

41-4003. REGISTRATION REQUIRED -- EXEMPTIONS -- NOT SUBJECT TO INSURANCE CODE. (1) No person shall offer or operate a self-funded plan in this state unless the plan is registered with the director as hereinafter provided.

(2) No registration shall be required of:

(a) Any self-funded plan established for the sole purpose of funding the dollar amount of a deductible clause contained in the provisions of an insurance contract issued by an insurer duly authorized to transact disability insurance in this state if the deductible does not exceed an amount applicable to each beneficiary of five thousand dollars ($5,000) per annum and the total of all obligations to all beneficiaries insured under the plan arising out of the application of such a deductible does not exceed the aggregate amount of five hundred thousand dollars ($500,000) in any one (1) year.

(b) Any plan established and maintained for the purpose of complying with any worker's compensation law or unemployment compensation disability insurance law.

(c) Any plan administered by or for the federal government or agency thereof or any county of this state, or by or for any institution of higher education authorized by the state board of education or the board of regents of the university of Idaho to administer a self-funded plan.

(d) Any plan which is primarily for the purpose of providing first aid care and treatment by an employer for injury or sickness of employees while engaged in their employment.

(e) Any self-funded plan offering only dental and/or vision benefits, where such benefits are limited to no more than a total of five thousand dollars ($5,000) per beneficiary per year. If self-funded dental and/or vision benefits are offered in conjunction with any other self-funded plan for disability or health benefits, the entire benefits are subject to all applicable provisions of chapter 40, title 41, Idaho Code, including registration.

(3) Plans that are registered under chapter 40, title 41, Idaho Code, shall not be deemed to be engaged in the business of insurance and shall not be subject to provisions of the Idaho insurance code except as expressly provided in this chapter. A plan required to register with the department that operates in this state without registering under this chapter shall be deemed to be engaged in the business of insurance without authorization and any person offering or operating an unregistered plan shall be deemed to be transacting insurance without proper licensing and subject to all sanctions as provided by law.

(4) Any self-funded plan providing benefits to more than one (1) employer shall provide to each employer participant and to each prospective employer participant written notice that the plan is not insurance and does not participate in the Idaho life and health guaranty association. Any self-funded plan providing benefits to students of a postsecondary educational institution shall provide to each student participant and to each prospective student participant written notice that the plan is not insurance and does not participate in the Idaho life and health guaranty association. The notice shall also be included as part of all marketing materials used by or on behalf of the plan.

(5) Any plan registered as a single employer plan or as a multiple employer welfare plan shall not operate as or be registered as a postsecondary educational institution student health benefit plan. Any plan registered as a postsecondary educational institution student health benefit plan shall not operate as or be registered as a single employer plan or as a multiple employer welfare plan.

SECTION 2. An emergency existing therefor, which emergency is hereby declared to exist, this act shall be in full force and effect on and after its passage and approval.

DRMPN260

LEGISLATURE OF THE STATE OF IDAHO

Sixty-third Legislature First Regular Session - 2015

AN ACT

RELATING TO SELF-FUNDED HEALTH CARE PLANS; AMENDING SECTION 41-4002, IDAHO CODE, TO REVISE DEFINITIONS; AMENDING SECTION 41-4004, IDAHO CODE, TO REVISE AND PROVIDE PLAN REQUIREMENTS FOR PUBLIC POSTSECONDARY EDUCATIONAL INSTITUTIONS; AMENDING SECTION 41-4005, IDAHO CODE, TO PROVIDE APPLICATION TO PUBLIC POSTSECONDARY EDUCATIONAL INSTITUTION PLANS; AMENDING SECTION 41-4010, IDAHO CODE, TO PROVIDE RESERVES AND SURPLUS REQUIREMENTS OF PUBLIC POSTSECONDARY EDUCATIONAL INSTITUTIONS WITH A PUBLIC POSTSECONDARY EDUCATIONAL INSTITUTION PLAN; AND AMENDING SECTION 41-4013, IDAHO CODE, TO PROVIDE FOR EXAMINATION OF BOOKS, RECORDS AND ACCOUNTS REGARDING SELF-FUNDED HEALTH CARE PLANS OPERATED BY A PUBLIC POSTSECONDARY EDUCATIONAL INSTITUTION.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 41-4002, Idaho Code, be, and the same is hereby amended to read as follows:

41-4002. DEFINITIONS. For the purposes of this chapter unless context otherwise requires:

(1) "Administrator" is a person, if other than the trustee, employed or contracted by the trustee <u>or public postsecondary education institution</u> to provide administrative services to a self-funded plan.

(2) "Beneficiary" is any individual entitled, under the self-funded plan, to payment by the trust fund of any part or all of the cost of any health care service rendered to such beneficiary.

(3) "Claims liability" is the total of all incurred and unpaid claims, including incurred but not reported claims, for allowable benefits under a self-funded plan that are not reimbursed or reimbursable by stop-loss insurance provided by a carrier authorized to transact insurance in this state.

(4) "Contribution" is the amount paid or payable by the employer or employee, or a postsecondary educational institution or student, into the trust fund.

(5) "Department" is the Idaho department of insurance.

(6) "Director" is the director of the department of insurance.

(7) "Irrevocable trust agreement" is a trust agreement whereby under the terms thereof the plan sponsor cannot retain the power to alter, amend, revoke or terminate the transfer of funds or property held in trust.

(8) "Multiple employer welfare arrangement" or "multiple employer welfare plan" shall have the same meaning as that given to the term "multiple employer welfare arrangement" by the employee retirement income security act of 1974, as amended.

(9) "Person" is any individual, corporation, limited liability company, partnership, association, firm, syndicate, organization, educational

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institution or any other public or private entity organized or recognized under the laws of the state of Idaho.

(10) "Plan sponsor" is any person who creates a self-funded health benefit plan for the benefit of any employer and employee or employees, or a postsecondary educational institution and student or students.

(11) "Postsecondary educational institution" is a person whose primary purpose is to provide a postsecondary education that offers or awards educational degrees and that provides courses or programs that lead to an educational degree, that is legally authorized and maintains a presence in the state of Idaho, and that has an average annualized enrollment of eight hundred (800) or more full-time students located in Idaho.

(12) Public postsecondary educational institution" means Boise State University, Idaho State University, Lewis-Clark State College and the University of Idaho, along with the board of regents and board of trustees thereof.

(13) "Qualified actuary" is an actuary having experience in establishing rates for a self-funded plan and the health services being provided, and who is also a fellow of the society of actuaries, a member of the American academy of actuaries or an enrolled actuary under the employee retirement income security act of 1974, as amended.

(1~~3~~4) "Self-funded plan" or "plan" is any single employer plan, public postsecondary educational institution plan, or multiple employer welfare plan, or any other single or multiple employer plan, or any postsecondary educational institution student health benefit plan, other than a plan providing only benefits under title 72, Idaho Code, under which payment for medical, surgical, hospital, and other services for prevention, diagnosis, or treatment of any disease, injury, or bodily condition of an employee is, or is to be, regularly provided for or promised from funds created or maintained in whole or in part by contributions or payments thereto by the employer or employers, or by the employer or employers and the employees, or by a postsecondary educational institution and students at said institution, or students of a postsecondary educational institution, who are not otherwise covered by insurance or contract with a health care service corporation or managed care organization authorized to transact business in this state.

(1~~4~~5) "Single employer" is any individual, sole proprietorship, business, partnership, corporation, limited liability company, firm or any other form of legally recognized entity or a group of two (2) or more employers under "common control" as defined in section 3(40)(B)(iii) of the employee retirement income security act of 1974, as amended.

(1~~5~~6) "Student" is an individual enrolled in a postsecondary educational institution.

(1~~6~~7) "Surplus" is the excess of the assets of a self-funded plan minus the liabilities of the plan, provided the liabilities of a self-funded plan shall include the claims liability of the plan.

(1~~7~~8) "Trust fund" is a trust fund established in conjunction with a self-funded plan for receipt of contributions of employer and employees, postsecondary educational institution and students, and payment of or with respect to health care service costs of beneficiaries.

(1~~8~~9) "Trustee" is the trustee, whether a single or multiple trustee, of the trust fund.

SECTION 2. That Section 41-4004, Idaho Code, be, and the same is hereby amended to read as follows:

41-4004. PLAN REQUIREMENTS. (1) The director shall not register any self-funded plan under this chapter unless the following requirements are met:

(a) The plan must require all contributions to be paid in advance and to be deposited in and disbursed from a trust fund duly created by a written irrevocable trust agreement between the employer or employers and the trustee, or between the postsecondary educational institution and the trustee, that meets the terms of this chapter.

(b) The plan shall appoint a trustee who demonstrates the character, fitness and competence to function in such role and whose function shall be to competently manage and administer the trust fund and plan, provided however, a public postsecondary educational institution may elect to independently administer the plan except for: (i) accepting and holding contributions under the plan from the institution and from plan participants, (ii) payment of claims and administrative expenses of the plan and trust, (iii) holding the required reserves and surplus and (iv) investing trust funds.

(c) With regard to single employer plans or multiple employer welfare plans, the plans must require that employers contribute to the trust fund, and that all contributions by employees, if any, shall be by regular periodic payroll deductions, except as to contributions made by an employee during his absence from such employment for such period as the plan may reasonably provide.

(d) The plan must provide that the trustee or public postsecondary educational institution shall furnish to each employee-beneficiary or each student-beneficiary a copy of the plan, which shall include a written statement or schedule adequately and clearly stating all benefits currently provided under the plan, as well as all applicable restrictions, limitations, and exclusions, and the procedure for filing a claim for benefits.

(e) The plan shall require that the trust fund be actuarially sound. Assets and income of the trust fund shall at all times be reasonably adequate to provide for full payment of all benefits promised to beneficiaries by the plan and to cover all other costs of operation. The initial contribution rates shall be calculated by a qualified actuary and shall include a reasonable provision for adverse deviation and a reasonable contribution to surplus; provided however, a public postsecondary educational institution may elect to fully fund incurred claims and administrative expenses as they are determined, no less than monthly, through institution and plan participant contributions to the trust.

(f) Before the registration by the department of the self-funded plan, the department shall verify that an amount equal to fifty percent (50%) of the qualified actuary's estimate of the minimum surplus requirements, as provided in section 41-4010(3), Idaho Code, after twelve (12) months of operation be deposited in the trust fund, in addition to the first month's contributions for all beneficiaries.

(2) After registration of the plan, in addition to the required quarterly and annual filings and other requirements as provided in this chapter, the trustee or public postsecondary educational institution shall file the following documents with the director for his review and approval not less than thirty (30) days before the effective date thereof:

(a) An actuarial study as described in section 41-4005(2)(e), Idaho Code, calculating new rates for the next plan year or more frequent period if there are any midterm rate changes;

(b) Any changes in the policy form, benefits or summary plan description;

(c) Any amendments or changes made to the stop-loss agreement or agreements, including change of carriers;

(d) Any amendments or changes made to administrative, service or management agreements;

(e) Any amendments or changes to the fidelity bond or other coverage the director deemed equivalent pursuant to section 41-4014(3), Idaho Code;

(f) Any amendments or changes to the trust agreement; and

(g) Any change in the trustee or trustees, officers or management of the trust, which notice shall include biographical affidavits of any new trustee, officer or management personnel.

(3) The trustee as well as the public postsecondary educational institution for a public postsecondary educational institution plan shall notify the director immediately if the trustee learns or receives information that indicates that the surplus of the trust falls below the minimum surplus requirements.

SECTION 3. That Section 41-4005, Idaho Code, be, and the same is hereby amended to read as follows:

41-4005. APPLICATION FOR REGISTRATION -- FEE. (1) Application for registration of a self-funded plan shall be made to the director, on forms prescribed by the director, seeking such information concerning whether, in the opinion of the director, the plan is qualified for registration. The application shall require the applicant to designate whether the plan is applying for registration as a single employer plan or multiple employer welfare plan or public postsecondary educational institution plan or as a postsecondary educational institution student health benefit plan. The application shall be signed and verified by at least one (1) employer or, if applicable, by a person authorized by a postsecondary educational institution to sign the application and at least one (1) plan trustee. If the employer, postsecondary educational institution, or trustee is a corporation, the verification shall be by a duly authorized corporate officer or by a managing member of the plan sponsor if the plan sponsor is a limited liability company.

(2) The application shall be accompanied by all plan documents including:

(a) A copy of the irrevocable trust agreement under which the trust fund is to exist and operate;

(b) A copy of the proposed written statement of benefits referenced in section 41-4004(1)(d), Idaho Code;

(c) A financial statement of the trust fund, if already in existence and operating at the time of application, certified by an independent certified public accountant. If the trust fund is not in existence at the time of application, a pro forma balance sheet for the start of operation of the plan and a pro forma balance sheet, by month, for the first twelve (12) months of operation of the plan shall accompany the application, provided that all balance sheets shall include actuarially determined claims liabilities;

(d) A written statement of reasonably projected income and disbursements of the trust fund, by month, for the twelve (12) month period commencing with the effective date of registration of the trust with the department and including changes to claims liabilities fully set forth in the monthly expenses as calculated by a qualified actuary;

(e) A copy of an actuarial study prepared by a qualified actuary certifying that the rates for the plan are sufficient to cover moderately adverse experience and all costs of operation. The study shall include the development and justification of the assumptions used by the actuary in determining the rates. The rates shall not be less than the sum of projected incurred claims for the year, plus costs of operation, plus any prior year deficiency, less any excess surplus prior to the establishment of the contribution deficit reserve;

(f) With regard to a single employer plan or a multiple employer welfare plan, if the plan is domiciled outside this state, a letter or other written evidence of good standing from the plan's regulator in the state of domicile;

(g) A copy of every contract between the plan and any administrator, trustee or service company;

(h) A copy of a stop-loss insurance agreement issued by an insurer authorized to do business in this state providing both specific and aggregate coverage in an amount as annually indicated in the actuarial opinion for the plan, provided the director may waive the requirements for aggregate stop-loss coverage if such coverage is not reasonably available or otherwise deemed appropriate;

(i) A copy of the policy, contract, certificate, summary plan description or other evidence of the benefits and coverages provided to beneficiaries, including a table of the rates charged or proposed to be charged for each form of such contract accompanied by a certification of a qualified actuary that:

(i) The rates are neither inadequate nor excessive nor unfairly discriminatory;

(ii) The rates are appropriate for the classes of risks for which they have been computed; and

(iii) An adequate description of the rating methodology has been filed with the director and the methodology follows consistent and equitable actuarial principles; and

(j) Such other relevant documentation and information as the director may reasonably require.

(3) The application shall be signed under oath by the plan sponsor or the trustee of the plan, and the application shall also include:

(a) A copy of any articles of incorporation and bylaws or any founding documents and bylaws of any entity acting as a plan sponsor;

(b) A list of the names, addresses and official capacities concerning the plan of the individuals who will be responsible for the management and conduct of the affairs of the plan, including all trustees, officers and directors. Biographical affidavits shall be submitted for all trustees and management personnel on a form prescribed by the director. Management personnel of the trust shall be experienced and competent to ensure the trust's compliance with Idaho laws and rules. Such individuals shall fully disclose the extent and nature of any contracts or arrangements between them and the plan, including any possible conflicts of interest; and

(c) A copy of the articles of incorporation, bylaws, if any, and irrevocable trust agreement of the plan, as well as any other document concerning the operation of the plan.

(4) At the time of filing the application the applicant shall pay to the director a nonrefundable filing fee as provided for by rule.

(5) The director shall transmit and account for all fees received by him hereunder as provided in section 41-406, Idaho Code.

SECTION 4. That Section 41-4010, Idaho Code, be, and the same is hereby amended to read as follows:

41-4010. RESERVES AND SURPLUS. (1) The trustee of a self-funded plan or the public postseconary educational institution with a public postsecondary educational institution plan shall establish and maintain in the trust fund the following reserves:

(a) A reserve in an amount as certified by a qualified actuary as being necessary for payment of claims liability. The reserve shall be reasonably adjusted on a quarterly basis in an amount as determined by a qualified actuary or other qualified person if authorized by the director.

(b) If, under the plan, periodic contributions to the trust fund have been paid in advance or are payable less frequently than monthly, there shall be a reserve for unearned contributions as computed pro rata on the basis of the unexpired portion of the period for which the contribution has been paid.

(c) If future claims payments plus future costs of operation are greater than future contributions plus current reserves, there shall be a reserve in an amount equal to future claims payments plus future costs of operation, less future contributions, less current reserves.

(2) In any determination of the financial condition of the trust fund, the claims reserve, reserve for unearned contributions and contribution deficiency reserve shall constitute liabilities.

(3) In addition to reserves required by this section, a self-funded plan shall establish and maintain in its trust fund surplus equal to at least:

(a) The equivalence of three (3) months of contributions for the current plan year; or

(b) One hundred ten percent (110%) of the difference between the total dollar aggregate stop-loss attachment point plus costs of operation and the total dollar expected contributions for the current plan year.

(c) Paragraphs (a) and (b) of this section notwithstanding, a public postsecondary educational institution which elect to fully fund incurred claims and administrative expenses as they are determined, no less than monthly, through institution and plan participant contributions, shall instead be required to establish and maintain in its trust fund surplus equal to at least thirty percent (30%) of the unpaid claims liability of the plan. A newly formed public postsecondary educational institution plan with no prior operating history shall maintain surplus of not less than ten percent (10%) of unpaid claims liability during its first year of operation, not less than twenty percent (20%) of unpaid claims liability during its second year of operation and not less than thirty percent (30%) of unpaid claims liability at all times thereafter.

(4) A surplus note that has been approved by the director in a form and as defined in section 41-2841, Idaho Code, may be used to fund surplus and shall not be accounted as a liability.

(5) Up to one-third (1/3) of the surplus required by this section may be funded by a clean, irrevocable letter of credit, in a form acceptable to the director, issued in favor of the trust fund by a federally or state chartered bank having a branch office in Idaho. Such irrevocable letter of credit cannot be guaranteed by pledge of any of the plan assets. The funding cannot be in the form of prepaid contributions or other loan or associated with an offsetting liability.

(6) A newly formed plan with no prior operating history shall meet the minimum surplus requirements no later than twelve (12) months after the date of initial operation. For plans registered with the department and in existence on the effective date of this law, such plans shall have twenty-four (24) months from the effective date of this law in which to increase their surplus level to comply with the requirements of subsection (3) of this section.

(7) The trust fund shall maintain the minimum surplus requirements at all times throughout the year.

SECTION 5. That Section 41-4013, Idaho Code, be, and the same is hereby amended to read as follows:

41-4013. EXAMINATION OF BOOKS, RECORDS AND ACCOUNTS. (1) The books, records, accounts and affairs of a self-funded plan shall be subject to examination by the director, by qualified examiners duly authorized by him in writing, at such times or intervals as the director deems appropriate. The purposes of the examination shall be to determine compliance of the plan with applicable laws, the plan's financial condition, the adequacy of the plan's trust fund, the treatment accorded by the plan to its beneficiaries and any other factors deemed materially relevant by the director to the plan's management and operation.

(2) The trustee, and where applicable, any public postsecondary educational institution operating a public postsecondary educational institu-

tion plan, shall promptly make the books, records and accounts of the plan and trust fund available to the department's examiner in Idaho and otherwise facilitate the examination.

(3) The examiner shall conduct the examination expeditiously, prepare the report of the examination in writing, and deliver a copy thereof to the trustee, and where applicable, any public postsecondary educational institution operating a public postsecondary educational institution plan, and the director as soon as practicable. The trustee , and where applicable, any public postsecondary educational institution operating a public postsecondary educational institution plan, shall have no longer than four (4) weeks after receipt of the report within which to recommend to the director such corrections or changes therein as the trustee may deem appropriate. After making such corrections or changes, if any, as he deems appropriate, the director shall file the report in his office as a document open to public inspection, and deliver to the trustee , and where applicable, any public postsecondary educational institution operating a public postsecondary educational institution plan, a copy of the report, including any modifications made to the examiner's original report as submitted to the director.

(4) At the direction of the director, the costs of the examination shall be borne by the trust fund of the plan, and shall be paid by the trustee in accordance with section 41-228, Idaho Code.

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SUBJECT

Legislative Update

BACKGROUND/DISCUSSION

This item is to provide the Board with an update on Board approved legislation and other education related bills thus far in the 2015 legislative session. The Board approved nine (9) bills for introduction during the 2015 legislative session. Three or those bills were directly related to the Governor's Task Force for Improving Education Recommendations.

The attached summary provides a brief outline of where each bill currently stands in the legislative process.

<u>Other Legislative Issues</u>

Joint Finance and Appropriations Committee Budget Setting

February 27
- Health Education Programs
- Special Programs
- Office of the State Board of Education

March 3
- Ag Research and Extension
- Professional-Technical Education

March 5
- Division of Vocational Rehabilitation
- Public Schools Support

March 9
- College and Universities
- Community Colleges
- Superintendent of Public Instruction
- Idaho Public Television

March 12
- Public Schools Support

Joint Legislative Oversight Committee Report Release

February 16
- Evaluation of the K-12 Longitudinal Data System (ISEE)

IMPACT

Board action, either supporting or opposing individual bills would allow for Board staff to testify to the Boards position during the hearings on the bills during the legislative committee meetings.

ATTACHMENTS

Attachment 1 – Summary of Education Related Legislation Page 3

STAFF COMMENTS AND RECOMMENDATIONS

Board staff will be prepared to walk the Board through specific legislation that the Board may wish to opine on as well as answer questions regarding the impact that a given piece of legislation may have on the state educational system.

The Board has the option of supporting, opposing or taking no action on any of the bills discussed. Board staff will be available to walk through the bills and answer specific questions and give recommendations on the bills discussed.

Under Board Action is suggested language Board members may wish to use, should they want to take action on any given bill.

BOARD ACTION

This item is for informational purposes only. Any action will be at the Board's discretion.

Board Approved Legislation

Bill No	Description	Last Action
H0020	Transfer of Surplus Property: Clarifies the conflict between the Idaho code authorizing the Lands Board to dispose of state surplus real property and the State Board of Education's authorization to dispose of surplus real property under it's control.	02/02/205 House- Passed 64-5-1 02/10/2015 Senate - Reported out of Committee with Do Pass Recommendation; Filed for second reading
H0021	Nursing Education Program Approval: Amends language in section 54-1406, removing the requirement that the Board approve curriculum changes in all nursing programs that would impact articulation agreements.	02/02/2015 House – Passed 69-0-1 02/10/2015 Senate - Reported out of Committee with Do Pass Recommendation; Filed for second reading
H0022	School District Trustee Terms – Transition from 3 to 4 year terms: Repeals a section of code that is no longer relevant as the terms specified in it have all expired.	02/02/2015 House – Passed 68-1-1 02/10/2015 Senate - Reported out of Committee with Do Pass Recommendation; Filed for second reading
H0045	Income Tax Credit – Sunset Removal: Removes the sunset on tax credits to educational institutions and agencies	01/28/2015 House - Reported Printed and Referred to Revenue & Taxation
H0074	Continuous Improvement Plans: Updates the language around district strategic plans to focus them more toward continuous improvement plans and increases the amount of funds available for training from $2,000 to $6,000.	02/04/2015 House - Reported Printed and Referred to Education
S1021	Charter School Financial Support: Separates the state appropriation from the automatic calculation of the Charter School Authorizer Fee for the schools authorized by the Public Charter School Commission and amends reporting date requirements.	02/09/2015 Senate – Passed 33-2-0 02/10/2015 House - Read First Time, Referred to Education – Bill Hearing scheduled 02/11/2015
S1050	Advanced Opportunities: Amends the Advanced Opportunities programs contained in code to consolidate them into one chapter and other various small program changes	02/09/2015 Senate - Reported Printed; referred to Education
RS23268	Risk Management – Opt Out: Allows the Institutions to opt out of Risk Management services, including the	Has not been scheduled for a print hearing yet.

	purchase of their own liability insurance with Board approval.	
RS23314	Career Ladder Legislation: Implements the recommendations of the Task Force moving teacher apportionment to a Career Ladder model.	Is tentatively scheduled for a print hearing later this week.

Superintendent Introduced Legislation

Bill No	Description	Last Action
H0097	Education Services for the Deaf and Blind for the Board of Directors: Allows the Superintendent to appoint a designee in their place to serve as the chair of the Board of Directors.	02/10/2015 House - Reported Printed and Referred to Education
S1018	Teacher Certification Fees and the Professional Standards Commission: Allows the Department to move the fee revenue into a line item within the Departments budget and removes the statutory percentages that could be used by the Department to defray the cost of teacher certification administration	02/09/2015 House - Read First Time, Referred to Education
S1019	Teacher Criminal History Check Fees: Amends the fee to $11 plus applicable fees charged by ISP, FBI, etc. rather than the total maximum fee of $40 for criminal history/fingerprint check.	02/09/2015 House - Read First Time, Referred to Education

Other Education Related Legislation

Bill No	Description	Last Action
H0052	Youth challenge prog/repeal sunset: Repeals the sunset on this National Guard youth intervention program	01/30/2015 House - Reported Printed and Referred to Transportation & Defense
H0065	Education, superintendent duties: Requires the State Superintendent start the process of withdrawing from the SBAC consortium, prohibits the use of SBAC created questions as a graduation requirement, repurposes assessment funds to professional development	02/02/2015 House - Reported Printed and Referred to Ways & Means
H0076	Taxes, base assessment roll: amends existing law to provide for funds for the school emergency fund levy to be included on the base assessment roll	02/10/2015 House - Reported out of Committee with Do Pass Recommendation, Filed for Second Reading

H0083	Postsecondary credit scholarship: Provides a scholarship to students who graduate from and Idaho high school and go to a public institution who have earned dual credits. Requires a matching academic scholarship.	02/05/2015 House - Reported Printed and Referred to Education
HCR003	Education, data system study: Creates a Legislative Council to study the state's K-20 SLDS.	02/05/2015 House - Reported Printed and Referred to Education

Supplemental Appropriations

Bill No	Description	Last Action
S1002	Approp, Public Television, add'l: Provides a one-time supplemental appropriation to IPTV for FY15 for the replacement of equipment.	01/28/2015 Senate – Passed 33-1-1 02/02/2015 – House – Passed 53-15-2 02/09/2015 Senate - Reported delivered to Governor on 02/09/15
S1012	Approp, Voc Rehab Div, add'l: Provides an ongoing supplemental appropriation to IDVR for FY15 for the State Independent Living Council and assessment, training, etc. to assist people with disabilities secure and retain employment.	01/30/2015 Senate – Passed 32-0-3 02/04/2015 House – Passed 60-10-0 02/10/2015 Senate - Reported signed by the Speaker & ordered delivered to Governor

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