

****IMPORTANT****
REQUIRES BOARD ACTION

DATE: March 28, 2016
TO: PACE Members
FROM: Phil Wentz, PACE Board Chair
SUBJECT: New PACE Trust Agreement Requires Board Action

**2015-2016 PACE
BOARD OF TRUSTEES**

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Facilities Manager
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Vice Chair

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Oregon law requires that self-insured public entity programs be formed through an intergovernmental agreement between the participating entities. PACE's original trust was adopted in 2006 and the Trustees just completed a review of the original trust and proposed a couple of changes to the OSBA Board of Directors.

Now that the new PACE Declaration of Trust has been approved by the OSBA Board of Trustees, it is necessary to have all of the trust members have their boards adopt the Joinder of Trust Agreement. The Joinder of Trust Agreement is located on the last page of the enclosed Declaration of Trust. By signing the Joinder of Trust Agreement your board will be entering into an intergovernmental agreement with PACE.

Before renewing in the PACE self-insured, property, and liability program, your board will need to adopt the enclosed Joinder of Trust Agreement and return a signed copy to PACE. We understand that this is not an easy task for PACE's many members to accomplish, but we assure you we would not be taking this action if the Trustees did not feel it was absolutely necessary to protect the trust's assets, which all of the members have helped build over the past 10 years.

Following is the deadline for sending back the signed resolution to PACE by:

- **June 30, 2016**
- **Please return the signed resolution to underwriting@sdao.com or FAX to (503) 371-4781**

I am sure you and your board members will have questions about the new Trust Agreement. In anticipation of your questions, following are some frequently asked questions and answers for your reference.

FREQUENTLY ASKED QUESTIONS:**What is my district's financial risk as part of a self-insured program?**

The revised Declaration of Trust does not increase your district's financial liability any more than you currently have under the existing Trust Agreement. The PACE Trust is a non-assessable trust. This means that your district can never be asked to contribute additional funds, other than your annual contributions, to cover your claims or the claims of any other member. It also means, though, that you are ultimately responsible for your own claims liabilities in the event the trust is not able to pay your claims. The PACE Trustees are dedicated to making sure this never happens by being extremely conservative with the amount of funds the trust retains to pay claims. Based on a certified actuary's estimates, PACE has over \$32 million to satisfy all claims liabilities. When not used in the day-to-day business operations, these funds are invested, which allows for reinvestment of PACE resources into programs that reduce members' risks and keep rates low. In addition, the trust purchases reinsurance that puts a cap on the trust's and members' claims liability.

Why is the Trust Agreement an intergovernmental agreement?

Oregon law requires that for local governments to form their own self-insured programs they must do so by entering into an intergovernmental agreement. Intergovernmental agreements require each participating organization to have a resolution adopted by its Board of Directors. The enclosed Joinder of Trust Agreement can be considered a suggested board resolution.

What are the primary differences between this new Trust Agreement and the original agreement?

There are two substantive changes to the Trust Agreement. First, Trustees created a dispute resolution process in the new Trust Agreement that encourages the parties to resolve any disputes at the lowest possible level.

Secondly, under the new agreement, Trustees will be allowed to serve up to three terms of three years, adding stability to the program and allowing Trustees the ability to apply the education they have received to the complexities of the insurance program.

Why can't my district find a resolution adopting the original Trust Agreement?

When the original Trust Agreement was created in 2006, the originators did not believe the Trust Agreement needed to be approved by the participating members. They had

an opinion that the coverage documents issued to members at their insurance renewals were considered an intergovernmental agreement that was entered into with the members when the members paid their contributions. With changes in law and philosophy over time, we believe that the best course of action for the newly amended Declaration of Trust is for each member to sign a resolution agreeing to enter into the Trust Agreement as an intergovernmental agreement.

What happens if my district does not adopt the resolution?

Unfortunately, if your district does not adopt the Joinder of Trust Agreement, your district will no longer be able to participate in the property or liability program. Your district will not be able to renew its coverage in these programs when your current policy term expires.

Whom should I contact if I have questions about the enclosed materials?

PACE Administration
Lisa M. Freiley
Staff Counsel
lfreiley@osba.org
(503) 588-2800
(800) 578-6722

**FORM OF
JOINDER TO TRUST AGREEMENT
FOR MEMBERS**

By execution of this Joinder, the undersigned public body hereby agrees to become a party to, and is bound by, the First Restatement of Declaration of Trust of the Property and Casualty Coverage for Education (PACE) effective as of March 12, 2016 (and as the same may be amended, supplemented or otherwise modified from time to time, the "Agreement"), by and among the Trustees and the Members, in the same manner as if the undersigned were an original signatory to such Agreement.

The undersigned represents and warrants that (i) the undersigned has received a copy of, and has reviewed the terms of, the Agreement and all related or relevant documents and agreements, (ii) undertakes to become a Member of the Property and Casualty Coverage for Education (PACE) with all the rights and obligations thereof, and (iii) such undertaking has been duly authorized as an intergovernmental agreement to create a program of self-insurance pursuant to ORS 30.282. Capitalized terms used but not defined in this Joinder shall have the meanings set forth in the Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Joinder as of this 15th day of June, 2016.

**Oregon Coast Community College Board of
Education**

By: _____
Name: **Chris Chandler** Title: Board Chair

Address for Notices: **400 SE College Way
Newport, OR 97366**

With copies to:

