

**VECTOR CONTROL JOINT POWERS AGENCY  
POOLED WORKERS' COMPENSATION PROGRAM  
MASTER PLAN DOCUMENT**

***Amended June 16, 2016***

VECTOR CONTROL JOINT POWERS AGENCY  
MASTER PLAN DOCUMENT  
FOR THE  
POOLED WORKERS' COMPENSATION PROGRAM

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VECTOR CONTROL JOINT POWERS AGENCY  
MASTER PLAN DOCUMENT FOR THE  
POOLED WORKERS' COMPENSATION PROGRAM (PWCP)

ARTICLE I

**GENERAL**

A. AUTHORITY

1. This **Master Plan Document (MPD)** is incorporated into the Bylaws of the Vector Control Joint Powers Agency (**Agency**). As such, it shall be treated as one of the **Agency's** governing documents. The **MPD** shall have the same weight and effect as the **Agreement**, the Bylaws, and the Memorandum of Coverage. However, any conflict between the **MPD** and the **Agreement**, Bylaws, or Memorandum of Coverage shall be determined in favor of the **Agreement**, Bylaws, or Memorandum of Coverage.
2. The **MPD** for the Pooled Workers' Compensation Program ("PWCP") is intended to be the primary operational guide for the conduct of the **Agency's** PWCP.

B. AUTHORITY AND STANDARDS

The **Agency's** PWCP has been organized under authority granted by, and shall be conducted in accordance with, the laws of the State of California; regulations prescribed by the Department of Industrial Relations and the Office of Benefits Assistance and Enforcement; and the standards set forth by the California Association of Joint Powers Authorities in its Accreditation Standards for Workers' Compensation Programs.

C. GOALS AND OBJECTIVES

1. The **Agency**, as part of its overall objectives, offers its **Member Districts** this PWCP designed to provide coverage for the liabilities imposed by the workers' compensation laws of California as well as those imposed by common law upon employers.
2. The PWCP shall provide workers' compensation coverage for the **Member Districts** utilizing an optimum mix of risk and cost. The PWCP shall provide various levels of retentions for the **Member Districts**, a risk sharing pool for the amount of a loss above the individual **retained limits** up to the **self-insured retention (SIR)** of the **Agency's** pool, and excess coverage for the amount of the loss that exceeds the **SIR** of the pool.
3. Through a contractual arrangement between the **Member Districts** of the **Agency**,

authorized in the statutes of the State of California for joint powers authorities, the **Member Districts** shall collectively pay on behalf of all pooled **Member Districts**, covered liabilities for those losses below the attachment point of the excess coverage. The PWCP shall utilize the concept and techniques of pooled sharing of losses for those **Member Districts** that participate in the pooling features of the PWCP. Additionally, the PWCP shall provide for the sharing of operating costs and payment of the excess coverage by charging all **Member Districts** their fair share of such costs.

4. Although the PWCP is provided to the **Member Districts** under those terms and conditions which prevail in the **insurance** market at any one time, the **Board of Directors** shall have the right to alter, from time to time, the terms and conditions of the excess coverage and the pooled underlying coverage in response to the needs and abilities of the PWCP and the **Member Districts**, as well as in response to availability of coverage from outside sources.

#### D. WHO PARTICIPATES

All **Member Districts** of the **Agency** shall participate in the PWCP; however, the terms and conditions which may be imposed on an individual **Member District** may be different, depending upon the size of the **Member District** and its past loss record.

#### E. RESPONSIBILITY AND AUTHORITIES

1. The **Board of Directors** shall have the responsibility of establishing policies and remaining informed as to the financial strength and viability of the PWCP. The **Board** has the authority, within the parameters of the **Agreement** and Bylaws of the **Agency** and this **MPD**, to act as needed to maintain and develop the financial strength of the PWCP.
2. The Executive Committee shall have the responsibility of and the authority to affect the general policies established by the **Board of Directors**. The Executive Committee shall report to the **Board of Directors**.
3. An Administrator shall be appointed by the **Board of Directors** to manage the daily activities of the PWCP and shall be given the authority to implement the policies established by the **Board of Directors** and Executive Committee. The Administrator shall report to the **Board of Directors** and the Executive Committee.
4. A Program Manager shall be appointed by the Administrator to monitor and supervise the **claims** administration of the PWCP.

F. **PROGRAM YEARS**

1. A **Program Year** is defined by the term of the coverage period, generally a period of 12 months. Historically, the PWCP has had **Program Years** which begin at 12:01 a.m. on July 1, and end at 12:01 a.m. on the following July 1.
2. Each **Program Year** shall be a separate set of books in the accounting records of the **Agency**. The income and expenses of each **Program Year** shall be accounted separately from any other **Program Year's** income or expenses. A **deposit premium** shall be charged to each **Member District** at the inception of the **Program Year** to fund the losses and expenses anticipated for the life of the **Program Year**.
3. The life of the **Program Year** may be many years. For the PWCP, a **Program Year** shall not be closed until such time that the **Board of Directors** authorizes closure, being convinced that known **claims** for the year are closed, and the probability of further **claims** being discovered is minimal.
4. **ACTUARIALLY SOUND PROGRAM YEARS**
  - a. The **Board of Directors** shall strive to maintain each **Program Year Actuarially Sound** as a separate unit and assure the PWCP is **Actuarially Sound** as a whole. A **deposit premium** based on the findings of an actuarial study shall be charged annually and allocated to the **Member Districts** in accordance with the individual **Member District's** exposure to loss and their past record of **claims**.
  - b. To maintain **actuarial soundness**, actuarial studies shall be performed annually, and action shall be immediately taken by the **Board of Directors** to make up the deficit funding if the PWCP should be found to be actuarially deficient.

G. **RETAINED LIMITS**

1. **POOLED MEMBERS** - The underlying coverage of the pooled portion of the PWCP shall provide individual **retained limits** of \$2,500, \$5,000, \$10,000, \$25,000, and \$50,000 per **occurrence**, or other **retained limits** which have been approved by the **Board of Directors**.
2. **ALTERNATIVES** - From time to time, the PWCP may alter the choices of **retained limits**, offer additional **retained limits**, or create other forms of retentions as the financial strength of the PWCP dictates, and upon approval of the **Board of Directors**.
3. **RETAINED LIMIT POOLING FEATURES** - The sharing of losses shall be segregated by the various **retained limit** levels. This document shall refer to these segregated units as pools or pool layers. Using the levels of retention described in

Section 1 above, see the following chart that describes the composition of the pool layers and the **retained limits** of those **Member Districts** that participate in each layer of the pool:

<u>\$50K POOL</u>	<u>\$25K POOL</u>	<u>\$10K POOL</u>	<u>\$5K POOL</u>	<u>\$2.5K POOL</u>
RETAINED LIMITS	RETAINED LIMITS	RETAINED LIMITS	RETAINED LIMITS	RETAINED LIMITS
\$ 2.5K	\$ 2.5K	\$ 2.5K	\$ 2.5K	\$ 2.5K
\$ 5K	\$ 5K	\$ 5K	\$ 5K	
\$10K	\$10K	\$10K		
\$25K	\$25K			
\$50K				

4. **CHANGING RETAINED LIMITS** - A participating **Member District** may elect to change its **retained limit** after its first year in the program. Requests for change shall be made only for a complete **Program Year** and shall be received by the **Board of Directors** at their last scheduled meeting prior to the **Program Year** in which the change is to be effective. Without permission by the **Board of Directors**, a **Member District** may only increase its **retained limit** to the next higher **retained limit** from its current level **retained limit**. A **Member District** may only reduce its **retained limit** if the participants of the pool for the lower **retained limit** agree to share the **Member District's** losses.

The **Board of Directors** may require a **Member District** to increase its **retained limit** by providing written notice of such change to the **Member District** at least thirty (30) days prior to the increase.

5. **PAYMENT OF THE RETAINED LIMIT** - The amount of each loss, including expenses, which is less than the **retained limit** chosen by the applicable **Member District**, and approved by the **Board of Directors**, shall be paid from the **Member District's** account established with the **deposit premium** and other credits. The full amount of any loss, including expenses, incurred by the individual **Member District** which is within its **retained limit** shall be charged to that **Member District's** account.

#### H. **SELF-INSURED RETENTION (SIR)**

The PWCP's **SIR** is defined as that amount of any incurred loss which is covered by the pooled portion of the **Agency's** PWCP. The attachment point for any covered loss where further payment on the loss is made by excess coverage purchased by the PWCP should be the **SIR** amount.

I. PREPOOL FUNDING

**Member Districts** that had been participating in the **Agency's** Workers' Compensation Program prior to the inception of the PWCP, hereinafter referred to as the Prior Program, shall deposit an amount to the PWCP "Prepool" from which unpaid portions of **claims** occurring under the Prior Program will be paid.

J. OPERATING AND RESERVE FUNDS ESTABLISHED BY THE PWCP

1. **Program Year** funds shall be collected, disbursed, and accounted by each **Program Year** through a separate set of accounting records. Such funds shall be referred to as the "Operating Funds" of the **Program Year** and used for **claims** payment and **administrative expenses**, including the cost of excess coverage.
2. There shall be a Prepool reserve fund which shall maintain the deposits collected from each **Member District**.
3. At the discretion of the **Board of Directors** and as long as there is a positive balance remaining in the fund, there shall be an "Aggregate Stop Loss Fund" which shall be utilized to provide an aggregate limit of exposure for a **Member District** in a given **Program Year**.

K. FINANCING THE PWCP

1. PREMIUMS, ASSESSMENTS, AND RETROSPECTIVE ADJUSTMENTS

- a. **Deposit premiums** shall be established and charged to the individual **Member Districts** such that, with the addition of funds raised from other sources, there shall be sufficient funds to meet expected losses and other expenses.
- b. Bonds or other debt instruments may be used by the **Agency** to fund, in whole or in part, the expected losses and expenses for one or more **Program Years**.
- c. The **deposit premiums** may be used to fund or pay premiums in connection with any coverage component of the PWCP or may be applied as contributions of the **Member Districts** to pay principal of, premium on, and interest on one or more series of bonds issued by the **Agency** to fund, in whole or in part, any coverage component of the PWCP to pay administrative costs of the PWCP and to purchase excess workers' compensation and employer's liability coverage. The application of any portion of the **deposit premiums** to pay debt service on bonds issued by the **Agency**, as provided in this paragraph (c), shall be determined by Resolution of the membership at a regular or special membership meeting, upon not less than two-thirds (2/3) vote of the individual representatives present and voting.



- d. There shall be annual retrospective adjustments beginning the fifth year after the **end of the Program Year**, and ending when all **claims** are closed and new **claims** are highly improbable.
- e. Assessments shall be made when the PWCP as a whole is found to be actuarially unsound. Assessments, at the discretion of the **Board of Directors**, may be made against actuarially unsound **Program Years** even though the PWCP as a whole is **actuarially sound**. Each **Member District** participating in a deficient **Program Year** shall be assessed in the same relationship as their **deposit premiums** for the year relating to the total premiums for that year.

## 2. AUTHORIZATION TO INCUR DEBT

Two-thirds (2/3rds), or more, of the individual representatives of the **Member Districts**, present and voting at an **Agency** regular or special membership meeting, voting in favor, shall be mandatory to authorize the PWCP to incur debt financing or to borrow money to cover an actuarially unsound **Program Year**.

## L. AMENDMENTS TO THIS DOCUMENT

- 1. The provisions of this document may be amended from time to time by a two-thirds (2/3rds) vote of the **Board of Directors** present and voting at a regular or special meeting pursuant to Article IX of the **Agreement**, provided prior written notice has been given to the **Member Districts**.

## ARTICLE II

### MID-LAYER POOL

#### A. PURPOSE

The purpose of the Mid-Layer Pool is to reduce the effect of severe **claims** from impacting the Primary Pool of the PWCP. The Mid-Layer Pool shall be a separate, mandatory feature of the PWCP. The accountability for the funds of the Mid-Layer Pool shall be maintained separate from the funds for the Primary or the Aggregate Pools.

#### B. DESCRIPTION

1. The Mid-Layer Pool shall be a separate fund from which **claims** and related costs may be paid whenever the **claims** and related costs, including indemnity and legal fees, from any one **occurrence** exceeds \$250,000.
2. The Mid-layer Pool shall be a single fund which is financed by a **deposit premium** from each participating **Member District** annually, the use of debt, or from other sources approved by the **Agency's Board of Directors**. It is different from the Primary Pool in that it does not have separate **program years**. The monies contributed to the Mid-Layer Pool shall be commingled into a single entity that will pay **losses** of **Member Districts** that are to be paid by the Mid-Layer Pool without charging such **loss** against any one **program year**.

#### C. ATTACHMENT POINT

1. The Mid-Layer Pool shall pay liabilities of the PWCP in excess of \$250,000 per **occurrence**. The amount of liability the Primary Pool must sustain prior to payment by this Mid-Layer Pool shall be called the Attachment Point.
2. Initially, the Attachment Point will be \$250,000. The Attachment Point for the Mid-Layer Pool may be revised occasionally from year to year by resolution of the **Board of Directors**.

#### D. DEPOSIT PREMIUM

The Mid-Layer Pool may be pre-funded or a **deposit premium** may be established for each year by the **Board of Directors** based on the actuarially determined **losses**. Such **deposit premium** shall be distributed to the **Member Districts** based on the relative risk presented to the Pool by each **Member District**.

#### E. ASSESSMENTS

If the Mid-Layer Pool is found not to be **actuarially sound**:

1. Each participating **Member District** shall be assessed its pro rata share of the total funding necessary to make the Mid-Layer Pool **actuarially sound**.
2. Each **Member District's** pro rata share shall be calculated as that percentage of the amount needed to make the Mid-Layer Pool **actuarially sound** which is equal to the **Member District's payroll** for the most recent **program year** as it relates to the total **payroll** for that **program year**.

F. REFUNDS

At the discretion of the Board of Directors, refunds may be provided to the **Member Districts** that contributed to the Mid-Layer Pool:

1. Once the **Board of Directors** determines the total amount to be refunded from the Mid-Layer Pool, each participating **Member District** shall receive its pro rata share based on the actual amount contributed by the **Member District** to the Mid-Layer Pool as compared to the total contributed by all members. Refunds shall be subject to the provisions in Article II (G) below. **Member Districts** that have terminated participation in the **Agency** shall not be eligible to receive refunds from, or be reimbursed for, any monies contributed to the Mid-Layer Pool.

G. NEW OR RETURNING MEMBER DISTRICTS

As new or returning **Member Districts** become members of the **Agency**, they shall be required to participate in this Mid-Layer Pool. A new or returning member may elect either to:

1. Participate in the Mid-Layer Pool at no initial charge. If a new or returning member selects this option, they will receive all of the benefits of coverage that the Mid-Layer Pool provides, however, the **Member District** would not be eligible for refunds as described in Article II (F) above; or
2. Contribute its pro rata share to the Mid-Layer Pool. If a new or returning member selects this option, they will pay an initial **deposit premium** for the Mid-Layer Pool equal to its projected annual **payroll** times a rate determined by dividing the funds, including any unpaid **deposit premiums**, in the Pool by the total **payroll** of the existing **Member Districts**. At the discretion of the new or returning **Member District**, this initial **deposit premium** may be paid in five equal installments plus interest at six percent per year on the unpaid balance. **Member Districts** selecting this option would be eligible for refunds as described in Article II (F) above, but would not be eligible for reimbursement or refund of any monies contributed should they leave the **Agency**.

Upon being accepted as a member of the **Agency**, all new or returning **Member Districts** are required to participate in any assessment as described in Article II (E) above. All amounts collected as part of an assessment are eligible for refund on a pro rata basis regardless of the option selected above.

## ARTICLE III

### **PREMIUMS, RATES, AND ASSESSMENTS**

#### A. **ADMINISTRATIVE EXPENSES AND DEPOSIT PREMIUM CALCULATIONS**

##### 1. **DEPOSIT PREMIUMS**

- a. The annual **deposit premium** for each **Member District** shall be calculated by multiplying the premium rate, adjusted for experience if appropriate, times the **Member District's payroll**.
- b. The premium rate shall be calculated by:
  - (1) Adding the administrative budget for the **Program Year** to the actuarially determined expected losses, and
  - (2) Dividing the total **payroll** of all **Member Districts**, weighted for experience credits or debits.

##### 2. **PWCP ADMINISTRATIVE BUDGET**

- a. Each **Program Year** shall have its own administrative budget which shall cover the costs of operating and maintaining that **Program Year** until it is finally closed. Items listed in this budget shall include, but not be limited to, the following:
  - (1) Financial auditing;
  - (2) Program management services;
  - (3) Excess coverage costs;
  - (4) Legal services and other consulting services;
  - (5) **Claims** adjusting;
  - (6) **Claims** auditing;
  - (7) Actuarial services;
  - (8) The cost of administrative materials; and
  - (9) A provision for other minor miscellaneous costs.

B. CREDITS AND DEBITS

1. EXPERIENCE MODIFICATION

- a. Each **Member District** shall be evaluated each year for an experience modification credit or debit based on five years of experience.
- b. The calculation of the credit or debit shall include the actual loss experience of the individual **Member District** as it relates to the average loss experience of the group as a whole. Such loss experience shall not consider loss years that are more than five years old. The criteria which shall be used is the relationship of actual average loss experience over the period being rated as it relates to the average **payroll** for the same period.

C. ACTION REQUIRED WHEN A **PROGRAM YEAR** IS FOUND TO BE ACTUARIALLY UNSOUND

1. The Administrator shall determine the actuarial condition of each **Program Year**.
2. If the PWCP, as a whole, is found to be not **actuarially sound**:
  - a. Each **Member District** that participated in the unsound **Program Year(s)** shall be assessed its pro rata share of the total funding necessary to make the PWCP, as a whole, **actuarially sound**.
  - b. Each **Member District's** pro rata share shall be determined as that percentage of the amount needed to make the PWCP **actuarially sound** which is equal to the **Member District's deposit premium** for the **Program Year** as it relates to the total **deposit premiums** for the PWCP for that **Program Year**.
  - c. Each **Member District** which contributes under this process shall have the amount contributed added to their **deposit premium** for the **Program Year** which is being augmented. This adjusted **deposit premium** shall be used in any subsequent retrospective adjustments.
3. If the PWCP, as a whole is sound, the Administrator may determine that no assessment is necessary and recommend to the **Board of Directors** no assessment be made, provided that there is sufficient surplus in the other **Program Years** to cover the actuarial deficiency in the deficient **Program Year**. Whenever the **Board** adopts such a recommendation from the Administrator, the Administrator shall determine the amount of interest that would have been earned on the funds of the other **Program Years** had the deficient **Program Year** been adequately funded. The difference between the amount of interest actually earned and the amount that could have been earned shall then be charged against the deficient **Program Year** and allocated to the other **Program Years**.

## D. RETROSPECTIVE ADJUSTMENT

### 1. TIMING

Five years after the **end of the Program Year**, the first retrospective adjustment shall be performed. Each year thereafter, there shall be an additional retrospective adjustment made until such time as the **Program Year** is closed.

### 2. CALCULATION

a. Determining the credits (inflows) for each **Member District** for the **Program Year** is calculated as follows:

(1) Each **Member District** is credited for the **deposit premium**, assessments, if any, and previous retrospective adjustments paid by the **Member District** for that **Program Year**, plus the interest earned on the account balance during the period since the **deposit premium** was made. Any refunds through a previous retrospective adjustment or other process shall reduce the **Member District's** account balance. This amount constitutes the total amount credited to the **Member District's** account.

(2) The **Member District's** losses incurred within the **Member District's retained limit** and the shared losses of other **Member Districts** in the pooling portion of the PWCP are then determined. The shared losses are allocated to each participant in the same proportion each **Member District's Payroll** for the **Program Year** is to the total **Payroll** for the **Program Year** of all **Member Districts** participating in that layer. At the discretion of the **Board of Directors**, this formula may be adjusted for experience.

For example, if there were ten participants which chose a \$2,500 **retained limit**, and one of these participants accounted for five percent of the total **payroll** of ten members; and, if the \$2,500 pool layer (\$2,500 excess of \$2,500) had \$10,000 in losses, the **Member District** with five percent of the **payroll** would be allocated \$500 of the \$10,000 in losses.

(3) Once the incurred losses for the **Member District** and the **Member District's** shared losses have been calculated for each of the pool layers, the total amounts are debited (outflows) to the **Member District's** account.

- (4) Next, the **Member District's** share of the **administrative expenses** is debited to the account (subtracted from the account). This includes the **Member District's** share of the excess coverage, general program administration, and **claims** handling expense not directly attributable to any specific **claim**. The Administrative fees for each **Program Year** shall be distributed to the **Member Districts** on a pro rata basis allocated on the basis of **deposit premium**.
  - (5) Finally, an allowance for Incurred But Not Reported (IBNR) Reserve is debited to the account based on the amount determined by the actuarial study.
- b. Upon completion of the calculation described above, if there is a cumulative negative balance of \$25 or more in the individual **Member District's** account, the **Member District** shall be billed for that deficiency. Any cumulative positive balance of \$25 or more will be refunded to the **Member District**, except as stated in Article VIII, Section D.3 and unless lesser amounts are specifically requested to be refunded by the **Member District**.

## ARTICLE IV

### PREPOOL

#### A. PROGRAM

1. **Member Districts** which had been participating in the **Agency's** Workers' Compensation Program prior to the inception of the PWCP, hereinafter referred to as the Prior Program, shall deposit an amount to the PWCP "Prepool" which is equal to the outstanding losses incurred during the Prior Program which have not, as yet, been paid, plus an allowance for Incurred But Not Reported (IBNR) Reserve.
2. Each **Member District** shall have an account, funded by the deposit under Paragraph 1 above and any other payments made during the existence of the "Prepool", from which all payments of **claims** against that **Member District** from the Prior Program shall be debited. These funds, and any interest earned by the funds, shall remain the equity of the **Member District** that made the deposit.
3. The **Board of Directors** may, at any time during the existence of the Prepool, demand payment of or return funds to the participating **Member Districts** in relation to their account balances.

#### B. TERMINATION OF THE PREPOOL

The Prepool shall continue in operation until the last **claim** in the pool is settled and paid. After the last **claim** is paid, the **Agency** shall return any funds in the individual **Member District's** accounts and collect any deficiencies from those **Member Districts** that experienced expenses in excess of their contributions.



## ARTICLE V

### **AGGREGATE POOL**

#### A. PURPOSE

The Aggregate Pool, sometimes referred to as a “Stop Loss” pool, shall limit the amount chargeable to the **Member District’s deposit premium**. The Aggregate Pool shall be a separate pool for which participation is mandatory by all **Member Districts**.

#### B. DESCRIPTION

1. The Aggregate Pool shall be a separate fund from which **claims** and related costs, to the extent that there are funds available, shall be paid whenever the total charges made against the **Member District’s deposit premium** have reached the applicable attachment point as determined by the **Member District’s retained limit**. See Article IV(F) below.
2. The Aggregate Pool shall be a single fund which shall be financed by debt or receipt of **deposit premiums** from each participating **Member District** each year. It is different from the PWCP in that it does not have separate **Program Years**. The monies contributed to the Aggregate Pool shall be commingled into a single entity that will continue to grow from year to year.

#### C. DEPOSIT AND OTHER PREMIUMS

1. The initial **deposit premium** has been established as one percent of each **Member District’s** annual **payroll** each year, not to exceed a maximum of \$5,000 per year. This premium shall be charged each year until such time as the Aggregate Pool reaches its funding goal stated in Section B (2) above.
2. The **Board of Directors** shall establish additional premiums, if necessary, to reimburse the Pool for losses incurred by the Pool. The **Board of Directors** may distribute the reimbursement of losses among a series of additional premiums.

#### D. ELIGIBILITY

All **Member Districts** are eligible and shall be required to participate in the Aggregate Pool.

E. OPERATION

The Aggregate (Stop Loss) Pool shall pay, to the extent funds are available, all **claim** payments after the total amounts charged to the **Member District's** account reach the attachment point, as defined below, during the **Program Year**.

F. ATTACHMENT POINTS

The specified attachment point shall be determined by the **retained limit** that is applicable for each **Member District**. These Attachment points are as follows:

RETAINED LIMIT	ATTACHMENT POINT
\$ 2,500	\$ 5,000
5,000	10,000
10,000	20,000
25,000	50,000
50,000	100,000

G. SETTING OF ATTACHMENT POINTS

The setting of attachment points for the Aggregate Pool may be revised occasionally from year to year by the **Board of Directors**. It is anticipated that as the Pool grows, the limits will be lowered to provide more protections. However, any changes made are subject to ensuring that the Pool remains **actuarially sound**.

H. ASSESSMENTS

If the Aggregate Pool is found not to be **actuarially sound**:

1. Each participating **Member District** shall be assessed its pro rata share of the total funding necessary to make the Aggregate Pool **actuarially sound**.
2. Each **Member District's** pro rata share shall be calculated as that percentage of the amount needed to make the Aggregate Pool **actuarially sound** which is equal to the **Member District's payroll** for the most recent **program year** as it relates to the total **payroll** for that **program year**.

I. REFUNDS

At the discretion of the Board of Directors, refunds may be provided to the **Member Districts** that contributed to the Aggregate Pool:

1. Once the **Board of Directors** determines the total amount to be refunded from the Aggregate Pool, each participating **Member District** shall receive its pro rata share based on the actual amount contributed by the **Member District** to the Aggregate Pool as compared to the total contributed by all members. Refunds shall be subject to the provisions in Article V (J) below. **Member Districts** that have terminated participation in the **Agency** shall not be eligible to receive refunds from, or be reimbursed for, any monies contributed to the Aggregate Pool.

#### J. NEW OR RETURNING MEMBER DISTRICTS

As new or returning **Member Districts** become members of the **Agency**, they shall be required to participate in this Aggregate Pool. A new or returning member may elect either to:

1. Participate in the Aggregate Pool at no initial charge. If a new or returning member selects this option, they will receive all of the benefits of coverage that the Aggregate Pool provides, however, the **Member District** would not be eligible for refunds as described in Article V (I) above; or
2. Contribute its pro rata share to the Aggregate Pool. If a new or returning member selects this option, they will pay an initial **deposit premium** for the Aggregate Pool equal to its projected annual **payroll** times a rate determined by dividing the funds, including any unpaid **deposit premiums**, in the Pool by the total **payroll** of the existing **Member Districts**. At the discretion of the new or returning **Member District**, this initial **deposit premium** may be paid in five equal installments plus interest at six percent per year on the unpaid balance. **Member Districts** selecting this option would be eligible for refunds as described in Article V (I) above, but would not be eligible for reimbursement or refund of any monies contributed should they leave the **Agency**.

Upon being accepted as a member of the **Agency**, all new or returning **Member Districts** are required to participate in any assessment as described in Article V (H) above. All amounts collected as part of an assessment are eligible for refund on a pro rata basis regardless of the option selected above.

## ARTICLE VI

### **EXCESS COVERAGE**

#### A. GENERAL DESCRIPTION

##### 1. COVERAGE PROVIDED

- a. The **Board of Directors** shall ensure that each **Program Year** is provided with excess workers' compensation coverage for the **Member Districts**. It is the intent and purpose of the **Agency** to continue to provide such coverage to the **Member Districts**, provided that such coverage can be obtained and the coverage is not unreasonably priced. This coverage may be obtained from an **insurance** company, by participating in another pool established under the Government Code as a joint powers authority, or offered through another pool of this **Agency**. If the coverage is purchased from an **insurance** company, such **insurance** company will have an A.M. Best Rating Classification of A- or better and an A.M. Best Financial Rating of VII or better, or their equivalents.
- b. This coverage indemnifies the insured **Member District** for liability arising under the California Workers' Compensation Laws. It also indemnifies an insured **Member District** for liability under common law for bodily injury to an employee ("Employer's Liability").

##### 2. LIMITS AND DEDUCTIBLES

- a. The **Agency**, through the PWCP or other mechanism, shall provide, where economically practical, at least \$5,000,000 of "total combined limits". "Total combined limits" is the maximum this PWCP will pay for each accident, regardless of whether the liability arises from workers' compensation laws, employer's liability, or a combination of these. In addition to this overall limitation, the PWCP may limit the maximum amount the PWCP will pay for employer's liability. However, the PWCP shall, where practical, provide employer's liability limits of at least \$1,000,000 each accident.
- b. In the case where the injury is due to disease, the limits of liability, as discussed above, apply to each person rather than each accident.

##### 3. SELF-INSURED RETENTION

- a. The **self-insured retention** ("SIR") is the amount of compensation and expenses associated with any one **claim** that must be paid before the excess coverage is applicable.

- b. The amounts within the **SIR** are paid by the individual **Member Districts**, to the extent of their **Retained Limit**; by the Primary Pool and; where applicable, by the Aggregate Pool.

#### 4. POLICY TERM, RENEWAL, AND CANCELLATION

The period of the excess coverage should concur with the **Program Years**. It should commence at 12:01 a.m. of the time zone of the insured. The coverage should provide a 60-day notice of intent not to renew. The same amount of time for cancellation should be obtained. However, 30 days notice, or in the case of nonpayment of premiums, 10 days notice, shall be acceptable.

#### 5. PREMIUMS

- a. Premiums for excess coverages shall be paid by the PWCP from the proceeds received as **deposit premiums** from the **Member Districts**. Because this coverage is an expense affecting each **Member District's** account with the PWCP, it is important to understand the costs to the PWCP.
- b. Generally, this **excess insurance** will use a rating base unit of \$100 of **payroll** as reported on the State of California DE9 or Federal 941 Forms.

#### B. AGENCY'S RIGHT TO CONTRACT FOR EXCESS COVERAGE

The **Board of Directors** may, from time to time, alter the coverage provided in this excess coverage based on **insurance** market conditions, available alternatives, cost, and other factors. The **Board of Directors** shall place this excess coverage with the two competing objectives of security and minimizing costs to the PWCP as a whole.

## ARTICLE VII

### ADMINISTRATION

#### A. RESPONSIBILITY AND AUTHORITY

##### 1. RELATION TO **AGENCY** STRUCTURE

- a. The **Agreement**, Bylaws, and Memorandum of Coverage have precedence over this document, and anything in this document contrary to the **Agreement**, Bylaws, or Memorandum of Coverage is void and without effect.
- b. The **Agency's** Administrator shall administer the PWCP and report to the **Board of Directors** and the Executive Committee.

##### 2. MEMBERSHIP

- a. The **Agency's** Membership shall retain unto itself the authority to do the following as provided in this **Master Plan Document**, the Bylaws, and the **Agreement**:
  - (1) Terminate the PWCP;
  - (2) Approve alternative financing arrangements for the PWCP whereby the **Agency** guarantees repayment of the financing; and
  - (3) Terminate participation of any **Member District** from the PWCP, pursuant to Article VIII(D)(2), except as provided under Article XVI of the **Agreement**.

##### 3. **BOARD OF DIRECTORS**

- a. The **Board of Directors** shall meet at least once a year to review the developments and performance of this PWCP. This duty is fulfilled by discussion of developments and performance of this PWCP as part of a general **Board of Directors** meeting.
- b. The **Agency's Board of Directors** shall retain unto itself the authority to:
  - (1) Approve the annual budget for the PWCP, and
  - (2) Amend this **MPD**.

- c. All other authority may be delegated to the Executive Committee as permitted by the Bylaws.

#### 4. EXECUTIVE COMMITTEE

- a. The **Agency's** Executive Committee shall have the responsibility and authority to carry out and perform all the functions, and make all decisions affecting the PWCP, delegated to it by the **Board of Directors** provided that such functions and decisions are consistent with the powers of the **Agency** and are not in conflict with the Joint Exercise of Powers **Agreement** or the Bylaws.
- b. The Executive Committee shall meet at least four times a year to review the developments and performance of this PWCP. The Executive Committee shall review, study, advise, and make recommendations to the **Board of Directors** on subjects that the Committee believes to be in the best interests of the PWCP.
- c. The Executive Committee may review applications from prospective **Member Districts** to participate in the PWCP and make recommendations to the **Board of Directors** as respects their acceptability to the PWCP.

#### 5. ADMINISTRATOR

- a. The overall operation of the PWCP shall be administered by the **Agency's** Administrator who shall report to the **Agency's Board of Directors** and Executive Committee.
- b. The Administrator shall be assisted by the **Agency's** Risk Manager, Program Manager, and Assistant Treasurer who shall provide the technical oversight of the PWCP, maintenance of this document, and the accounting systems which support this PWCP.
- c. The **Agency** shall ensure that sufficient, competent, and qualified **claims** examiners and assistants are available at all times during normal working hours to receive, process, and adjust the workers' compensation **claims** submitted by the employees of the **Member Districts** that have sustained an industrial injury. Such **claims** examiners and assistants may be employees of the **Agency** or personnel engaged by contract with the **Agency**.
- d. The **Administrator** shall have the authority to engage outside legal counsel for the purpose of providing an opinion regarding the scope of coverage provided under this program.

6. PROGRAM MANAGER

- a. The Program Manager shall supervise the daily operations of handling **claims** for the PWCP and report to the Administrator on such operations. The Program Manager shall be directly responsible for the oversight of the person or persons engaged in handling **claims** on behalf of the **Member Districts**.

B. ADMINISTRATOR'S DUTIES AND RESPONSIBILITIES

1. GENERAL

- a. The Administrator shall use his or her best efforts to administer the PWCP such as to achieve the objectives and goals of the PWCP and the **Agency**.
- b. The PWCP shall be administered in a manner which will provide **claim** and cost accountability for each **Program Year** separate and apart from all other **Program Years** and from other programs of the **Agency**.

2. CLAIMS ADMINISTRATION

The Administrator shall:

- a. Assist in the selection of a **claims** adjusting company, including evaluation of quality and price of service in both the **claims** handling and reporting services;
- b. Prepare a "**Claims Paid**" report monthly showing the amounts paid for **claims** by each **Member District** for each **Program Year**.
- c. Prepare a report annually which shows **claims** activity, paid **claims**, case reserves, obligated reserves, and status of pooled funds of each **Program Year** for each **Member District**.
- d. At least every other year, assist the **Board of Directors** in obtaining the services for a **claims** audit.
- e. Present **claims** audit reports to the **Board of Directors** and Executive Committee, with recommendations for changes in **claims** procedures where appropriate.
- f. Oversee the performance of the Program Manager.
- g. Engage outside legal counsel for the purpose of providing an opinion regarding the scope of coverage provided under this program.



### 3. FINANCIAL RESPONSIBILITIES

The Administrator shall:

- a. Prepare a budget for each **Program Year** for approval by the **Board of Directors** prior to the **Program Year**;
- b. Prepare and submit an annual report to the **Board of Directors** and Executive Committee showing the fund balances by **Member District**;
- c. Establish rates and **deposit premiums** for each new **Program Year** in the manner described in Article II;
- d. Calculate all retrospective adjustments and mandatory assessments in accordance with this **MPD**;
- e. Assist, at least every other year, the **Board of Directors** in obtaining the services of an actuary to evaluate the financial sufficiency of reserves and to recommend the funding levels of future **Program Years**;
- f. Evaluate and present to the **Board of Directors** and the Executive Committee, the recommendations of the actuarial studies with recommended actions, if any, or if a **Program Year** is or is likely to be in an actuarially unsound condition in the near future;
- g. Assist annually in obtaining the services for an independent financial auditor; and
- h. Assist in presenting financial audits to the **Board of Directors** and the Executive Committee.

### 4. ACCOUNTING RESPONSIBILITIES

The Administrator shall:

- a. Invoice **Member Districts** for **deposit premiums** and other amounts due;
- b. Report to the Executive Committee any invoices not paid and outstanding for more than 60 days;
- c. Prepare demands for payment for approval by the Executive Committee;
- d. Maintain detailed financial records of all income, expenses, cash deposits, and withdrawals;

- e. Maintain financial records in accordance with generally accepted accounting principles and the provisions of GASB 10; and
- f. Present timely quarterly and annual financial statements to the **Board of Directors** and the Executive Committee.

## 5. LOSS CONTROL/SAFETY ENGINEERING

The Administrator shall:

- a. Assist the **Member Districts** in obtaining services to inspect and evaluate the premises and operations of the **Member Districts** as respects hazards that may cause a workers' compensation **claim**;
- b. Recommend to the **Board of Directors** loss control programs that should be adopted by the **Member Districts**;
- c. Assist the **Member Districts** in establishing loss control programs;
- d. Evaluate, when requested, the efficiency of the loss control programs and report such findings to the **Board of Directors** and the Executive Committee.

## C. WORKERS' COMPENSATION PROGRAM MANAGER'S DUTIES

- 1. The Administrator shall appoint a Workers' Compensation Program Manager who shall oversee the daily administration and operation of the PWCP.
- 2. The Workers' Compensation Program Manager shall:
  - a. Oversee, generally, all workers' compensation **claims** administration and management;
  - b. Perform a monthly review of **claims** files including the new **claims** involving disability, the larger of those **claims** for medical payments only, and those **claims** for which a **Member District** has requested a specific review;
  - c. Review, at least quarterly, all open **claims** with a total incurred value in excess of \$25,000 and, if necessary, recommend action on such **claims**;
  - d. Report quarterly to the **Board of Directors** summarizing the active **claims** that are of general interest to the **Member Districts** and **claims** for which a **Member District** has specifically requested a review;

- e. Monitor the reporting of injuries, completion of employee **claims**, and other activities required by the most recent workers' compensation statutes or the Workers' Compensation Claims Procedures Manual;
- f. Assist the **Member Districts** in training their personnel in the correct procedure for timely and accurately reporting **claims**;
- g. Advise, where needed, on the setting and changing of reserves for **claims**;
- h. Provide guidance to the **claims** adjuster(s) on the management of problem or complex **claims**;
- i. Advise, where needed, on the selection of legal representation in anticipation of litigation;
- j. Monitor and evaluate the effectiveness of the defense firms and the management of the litigation;
- k. Monitor and evaluate the effectiveness of medical treatment as respects **claims** costs, especially those involving complex medical issues;
- l. Evaluate, where needed, recommendations for settlement of **claims**;
- m. Mediate differences, if any, between the **claims** adjuster and a **Member District**;
- n. Answer inquiries from **Member Districts** regarding workers' compensation **claims** or procedures;
- o. Provide other services as may reasonably be requested by the **Board of Directors**, the Executive Committee, or a **Member District**; and
- p. Review the performance of the personnel assigned to administer the **claims** adjusting activities of the **Agency's** with special emphasis in the handling of "open **claims**".

#### D. REPORTS AND SCHEDULES

##### 1. FINANCIAL REPORTS

- a. Unaudited annual financial statements shall be presented to the **Board of Directors** and the Executive Committee within 60 days after the end of the **fiscal year**. These reports shall include a Balance Sheet, an Income Statement, a Cash Flow Statement, and a Statement of Account Balances for each **Program Year**.

- b. Unaudited quarterly financial statements shall be presented to the **Board of Directors** and the Executive Committee within 60 days after the end of each quarter. These reports shall include a Balance Sheet, an Income Statement, and a Cash Flow Statement.
- c. A signed Audited Financial Statement for the **fiscal year** shall be presented to the **Board of Directors** within 6 months after the **end of the Program Year**.

## 2. **CLAIMS REPORTS**

- a. A **claims** audit report shall be obtained at least every other year, including a statement of adequacy of **claims** procedures and accuracy of the **claims** data.

## 3. **ACTUARIAL STUDIES**

- a. An actuarial report shall be obtained at least every other year that evaluates the adequacy of reserves for each **open Program Year**.
- b. The report should also include loss projections for future **Program Years** based on past experience of the PWCP.

## E. **LOSS CONTROL/SAFETY ENGINEERING**

- 1. The **Agency** shall assist the **Member Districts** in obtaining safety engineering and loss control services for the **Member District** to minimize **claims** expense to the PWCP.

## F. **CLAIMS ADMINISTRATION**

### 1. **SELECTION OF ADJUSTER**

- a. The Administrator shall review and recommend to the **Board of Directors** a **claims** adjusting service that can adequately and effectively adjust the **Agency's claims**. The adjusting service shall have the capacity and shall report **claims** activities such that the segregated accounting requirement of the PWCP can be easily administered.

### 2. **CLAIMS ADJUSTING SERVICE**

The **claims** adjusting service shall:

- a. Accept notices or reports of **claims** from the **Member Districts** of the PWCP;

- b. Maintain a complete and separate file for each **claim** reported, including actions taken, amounts reserved, and amounts paid to date;
- c. Make available for inspection and review by the **Agency**, or its agent, any and all **claims** files, provided reasonable notice of inspection and reasonable time and place is set for review;
- d. Report PWCP **claims** activity monthly to the Administrator, and individual **Member District claims** activity to the respective **Member Districts**, including:
  - (1) a detail report by each **claim**, the status, the amounts reserved, and the amounts paid; and
  - (2) a summary report of amounts reserved and paid by each **Member District** by each **Program Year**.

### 3. **CLAIMS PROCEDURES MANUAL**

- a. A Workers' Compensation **Claims** Procedures Manual including reporting procedures, forms, and other vital information shall be adopted by the **Board of Directors** and provided to all **Member Districts**.
- b. The **Board of Directors** may adopt amendments to the Workers' Compensation **Claims** Procedures Manual. Any amendments shall not be effective for 15 days after distribution of the amendments to the **Member Districts**.
- c. All **Member Districts** shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

### 4. **CLAIMS AUDIT**

- a. At least once every two years, the adequacy of **claims** adjusting shall be examined by an independent auditor who specializes in **claims** auditing.
- b. The **Board of Directors** may approve the **claims** auditor and authorize the audit.
- c. This report shall address the issues of both adequacy of **claims** procedures and accuracy of **claims** data.

5. **CLAIM SETTLEMENT AUTHORITY**

- a. Individual **Member Districts** - Each participating **Member District** shall have settlement authority for all **claims**, including attorney fees and other costs, which do not exceed the **Member District's retained limit**. The Program Manager will review these **claims** from time to time and may offer his or her recommendation to the adjuster and the **Member District** regarding settlement.
- b. Program Manager - The Program Manager shall have settlement authority for all **claims** which exceed the individual **Member District's retained limit**. The Program Manager will ensure that the **Member District** is kept informed regarding these **claims**, and will take into consideration the **Member District's** desires in any settlement process; however, the Program Manager shall keep the best interests of the other pooling **Member Districts** paramount in any decision. Any **claims** settlement decision made by the Program Manager may be appealed to the Executive Committee. Decisions of the Executive Committee may be appealed within 30 days after notice of the decision to the **Member District**. The appeal shall be made to the **Board of Directors** whose decision will be final.

6. **DISPUTES BETWEEN DISTRICTS AND CLAIMS ADJUSTER**

- a. Any matter in dispute between a **Member District** and the **claims** adjuster should be referred to the Administrator who shall act as the arbitrator. Any arbitration decision by the Administrator may be appealed to the **Board of Directors**; however, any dispute heard by the **Board of Directors** must be conducted within 30 days after notice to the **Member District** of the Administrator's decision. The decision of the **Board of Directors** shall be final.

## ARTICLE VIII

### **PARTICIPATION**

#### A. ELIGIBILITY AND APPLICATION

##### 1. ELIGIBILITY

- a. To participate in the PWCP, the applicant District must be a member of the **Agency** and all members must participate in the PWCP.
- b. All **Member Districts** must commit to at least five full **Program Years** of participation in this PWCP, concurrent with the five-year commitment of membership in the **Agency**.
- c. A District joining the **Agency** must apply for participation by providing a completed and signed Resolution Form, five years of workers' compensation loss experience, and providing the last four quarters of DE9 or Federal 941 reports. The Resolution Form shall contractually bind the applicant District to five years of participation, if accepted, and consent to be governed for workers' compensation matters in accordance with this **MPD**. The Resolution shall also state the **retained limit** desired by the applicant District.
- d. The applicant District shall provide the Resolution Form, the **claims** experience information, and the DE9 or Federal 941 reports at least 30 days prior to the inception of coverage by the PWCP.
- e. Coverage provided by the PWCP cannot commence until the Administrator has a copy of the State's Certificate of Consent to Self-Insure for workers' compensation coverage in his or her possession.
- f. It is recommended that a District only enter the PWCP at the commencement of a new **Program Year**. If a District chooses to enter the PWCP at any other time, the **deposit premium** for the **Program Year** will be prorated. The new **Member District** will begin coverage on the date that it is mutually acceptable to the new **Member District** and the **Board of Directors**; however, the new **Member District** will be required to share losses with the other **Member Districts** of the PWCP for the entire **Program Year**. The application for participation should be submitted at least 60 days prior to the date the District wishes coverage to begin to ensure that the State Certificate of Consent to Self-Insure is received prior to the inception date, and that the Executive Committee may have adequate time to review and evaluate the acceptability of the applicant and make their recommendation to the **Board of Directors**.

## 2. APPROVAL OF APPLICATION

- a. The Executive Committee shall, from a review of the Resolution Form and other underwriting criteria, determine the acceptability of the exposures presented by the applicant District.
- b. The Executive Committee shall then present the application to the **Board of Directors** with their recommendation. The **Board of Directors** shall vote on the admission of the applicant District.
- c. The President shall advise, in writing, the applicant District of the **Board of Director's** decision to accept or reject the request within 10 days after the **Board of Director's** decision has been made.

## B. PARTICIPANTS' DUTIES

### 1. PROVIDE UNDERWRITING CRITERIA

- a. The **Member Districts** shall provide copies of the DE9 or Federal 941 **payroll** reports quarterly within thirty days after the end of the quarter. This is the date required by the State for submission.
- b. The **Member Districts** shall disclose activities not usual and customary in the operations of a **Member District**.
- c. The **Member Districts** shall at all times cooperate with the **Agency's** Workers' Compensation Program Manager, and the **claims** management, loss control, and underwriting activities of the **Agency**.

### 2. PAYMENT OF PREMIUMS AND OTHER CHARGES

- a. Each year, no later than June 1, the **Agency** shall bill **Member Districts** for a workers' compensation **Deposit Premium** for the next **Program Year**. This **Deposit Premium** shall be due and payable on July 1 of the same year.
- b. A **Member District** may be billed an additional amount as a result of the Retrospective Adjustment calculation which is made for each **Program Year** five years after the end of the reporting period for each **Program Year** and yearly thereafter until the **Program Year** is finally closed. This billing is due and payable upon receipt.
- c. Billings may be made to **Member Districts** participating in a **Program Year** found to be actuarially unsound. All billings for payments to bring a **Program Year** into an **Actuarially Sound** condition are due and payable upon receipt.



- d. Districts that have formerly participated in the PWCP, but have withdrawn as a participant, shall be required to pay all applicable billings for the **Program Years** in which they participated. Delinquent billings shall be treated in the same manner as set forth above, as if the District was still a participant.

#### C. PENALTIES

1. Delinquency, Penalties, and Interest - The **Agency's** definition of delinquent payments, penalties, and interest for delinquent payments shall apply to **deposit premiums** and other charges under the PWCP.
2. Failure to Pay Billings, Penalties, or Interest - Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the **Member District** from the PWCP and may result in the termination of the **Member District** from the **Agency** in accordance with the Joint Exercise of Powers **Agreement**. The defaulting **Member District** shall be liable for the billings, penalties, accrued interest, and all costs incurred by the **Agency** in the enforcement of all provisions set forth in this **Master Plan Document**.
3. Penalties for Non-payment by Former Member Districts - Failure to pay billings, penalties, or accrued interest thereon shall constitute a breach of the agreement between the former **Member District** and the **Agency**. The former **Member District** shall be liable for the billings, penalties, accrued interest, and all costs incurred by the **Agency** in the enforcement of all provisions set forth in this **Master Plan Document**.

#### D. TERMINATION OF PARTICIPATION

##### 1. VOLUNTARY TERMINATION

- a. A **Member District** which has completed its mandatory five-year commitment to the PWCP may terminate participation in the next **Program Year** by providing, at least six months before the next **Program Year**, to the **Agency** a written request to terminate participation. Such termination in the PWCP shall terminate the **Member District's** membership in the **Agency** pursuant to the **Agreement** and Bylaws.
- b. A participating **Member District** that has not completed its mandatory five-year commitment to the PWCP shall not be permitted, at its request, to withdraw from the PWCP prior to the end of its commitment period.

##### 2. INVOLUNTARY TERMINATION

- a. The PWCP may initiate termination of future participation for the following reasons:

- (1) Termination as a **Member District** of the **Agency**;
- (2) Declination to cover the **Member District** by the facility providing excess coverage;
- (3) Nonpayment of past premiums, assessments, retrospective adjustments, or other charges;
- (4) Habitual late payment of premiums, assessments, retrospective adjustments, and/or other charges;
- (5) Failure to provide requested underwriting information;
- (6) Development of an extraordinarily poor loss history;
- (7) Substantial change in exposures which are not acceptable in this PWCP; and/or
- (8) Financial impairment that is likely to jeopardize this PWCP's ability to collect amounts due in the future.

b. The President shall send a notice of termination to the **Member District** at least thirty (30) days prior to termination.

3. Termination of participation, whether voluntary or involuntary, does not relieve the terminated District of any benefits or obligations of those **Program Years** in which the District participated. These obligations include payment of assessments, retrospective adjustments, or any other amounts due and payable. When termination of participation, whether voluntary or involuntary occurs, all positive account balances for that District, as determined through the retrospective adjustment process described in Article III, Section D, will be withheld from redistribution and applied to future years with negative balances until such time as the District's account balances for all **Program Years** in which the Member District participated are positive. Once the positive balance exceeds \$25, the balance will be returned to the District. If all **Program Years** in which a District participated are positive, the District may request the return of a lesser cumulative positive balance. If there is a cumulative negative balance greater than \$25 in the District's account, the District shall be billed for that deficiency.

Upon the closure of all program years in which the District participated, any cumulative positive balance will be returned to the District and any cumulative negative balance will be billed to the District.

## ARTICLE IX

### **DEFINITIONS**

In addition to the definitions provided in the **Agency's** Bylaws, the following additional definitions apply to this **MPD** for this PWCP:

1. Actuarially Sound shall mean that the **Program Year** has sufficient funds to pay the expected cost of **claims**, at a level of confidence determined by the **Board of Directors**, as determined by a certified actuary and the **Administrative Expenses** for the **Program Year**.
2. Administrative Expenses means those expenses incurred by the PWCP which are not incurred due to any specific **claim** and does not constitute a reserve for future expected changes in the size of existing **claims** or discovery of previously unknown **claims**.
3. End of the Program Year means that time when the coverage period of the Memorandum of Coverage lapses.
4. Occurrence means "accident" or "illness". Occupational disease sustained by each employee shall be deemed to be a separate **occurrence** and **occurrence** shall be deemed to take place on the date upon which the employee is last exposed at work to the conditions allegedly causing such occupational disease.
5. Open Program Year means a **Program Year** that the **Board of Directors** has not authorized final retrospective adjustments due to **claims** within the **Program Year** that are not finalized or the possibility of new **claims** arising.
6. Payroll means the amount of payroll as reported on the DE9 or Federal 941 series of forms.
7. Program Year means the period of coverage provided by the Memorandum of Coverage, usually a 12-month period. However, any renewals, by endorsement, for a new term shall constitute a new **Program Year**.