

SCHOOLS HEALTH INSURANCE FUND

BYLAWS
2015

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BYLAWS

WHEREAS, N.J.S.A. 18A:18B-1 et. seq. allows two or more boards of education to form an association for the development, administration and provision of risk management programs, joint self-insurance funds and related services to member boards of education hereinafter sometimes referred to as a “School Board Insurance Group” or “SBIG”;

WHEREAS, any two or more boards of education may form and become members of a SBIG by resolution of the respective boards of education and through membership in the SBIG participate in any joint self-insurance fund, risk management programs and related services provided by the SGIB;

WHEREAS, pursuant to N.J.S.A. 18A:18B-3 the SBIG shall have the power to establish a fund or funds for benefits pursuant to contributory or non-contributory group health insurance or group term life insurance, or both, for employees or their dependents, or both, through self-insurance, the purchase of commercial insurance or reinsurance, or any combination thereof and shall have the power to take other actions necessary to develop, administer and provide risk management programs, joint self-insurance funds, joint insurance purchases and related services;

WHEREAS, the local school boards in Southern New Jersey have been members of the Southern New Jersey Regional Employee Benefits Fund and desire to form their own joint insurance fund composed of school boards and other eligible entities;

NOW THEREFORE, in consideration of the premises and in order to establish the procedures for the operation of a School Board Insurance Group for the provision of contributory or non-contributory group health insurance and/or group life insurance to the employees and dependents of the member school boards to be known as the Schools Health Insurance Fund, (hereinafter referred as the "SHIF"), it is mutually understood and agreed that the following shall be the ByLaws of the SHIF:

Article I DEFINITIONS

For the purposes of these Bylaws, unless the context requires otherwise, the following words and phrases shall have the meanings indicated:

"ACTUARY" in the case of health insurance means a Fellow in good standing of the Society of Actuaries or the Casualty Actuarial Society with at least three (3) years recent experience in health insurance pricing and reserving. Actuary in the case of life insurance means a fellow in good standing of the Society of Actuaries with at least three (3) years recent experience in life insurance

pricing and reserving.

"ADMINISTRATOR" means a person, partnership, corporation or other legal entity engaged by the joint insurance fund trustees, as hereinafter defined, to act as executive director to carry out the policies established by the joint insurance fund trustees and to otherwise administer and provide day-to-day management of the joint insurance fund. The administrator may also be the lead agency, an employee of the fund, a fund member or an independent contractor.

"CHAIRMAN" or **"CHAIRPERSON"** means the chairman of the board of trustees as may be elected or designated by the trustees.

"COMMISSIONER" means the Commissioner of the Department of Banking and Insurance.

"DEPARTMENT" means the New Jersey Department of Banking and Insurance.

"DEPENDENT" means dependent as defined pursuant to N.J.S.A. 18A:18B-2.

"FISCAL YEAR" or **"FUND YEAR"** means the fiscal year July 1 through June 30.

"HEALTH INSURANCE" means health insurance as defined pursuant to N.J.S.A. 17B:17-4; service benefits as provided by health service corporations, hospital service corporations or medical service corporations authorized to do business in this State, including basic health care services and/or supplemental health care services provided by health maintenance organizations; or dental care services provided by dental plan organizations and dental service corporations.

"INDEMNITY AND TRUST AGREEMENT" means a written contract signed by the members of the joint insurance fund under which each agrees to jointly and severally assume and discharge the liabilities of each and every party to the agreement arising from their participation in the SHIF. (The agreement shall specify the extent of the member's participation in the SHIF with respect to the types of coverage to be provided by the SHIF and shall include the duration of SHIF membership which shall not exceed three years pursuant to N.J.S.A. 18A:18A-42(e). The agreement shall also specify that the member has never defaulted on claims if self-insured and has not been canceled for non-payment of insurance premiums for a period of at least two years prior to application to the SHIF.)

"INSOLVENT FUND" means a joint insurance fund which has been determined by a court of competent jurisdiction to be unable to pay its outstanding lawful obligations as they mature in the regular course of business, as may be shown either by an excess of its required reserves and other liabilities over its assets or by its not having sufficient assets to reinsure all of its outstanding liabilities after paying all accrued claims owed by it, or for which, or for the assets of which, a receiver or liquidator, however entitled, has been appointed by a court of competent jurisdiction and authority, after the effective date of this subchapter.

"JOINT INSURANCE FUND" or **"FUND"** means a group established by two or more school boards to create a self-insurance fund for the sole purposes of providing contributory or non-

contributory group health insurance or group term life insurance to their employees or dependents and to any other person eligible for coverage by a member school board pursuant to law, approved by the Department pursuant to N.J.S.A. 18A:18B-1 et seq. and N.J.A.C. 11:15-5.1 et seq.

"LIFE INSURANCE" means life insurance as defined pursuant to N.J.S.A. 17B:17-3.

"MEMBER" means a school board which is a member of the SHIF, a school board joint insurance fund formed pursuant to NJSA 18A:18B-1 et. seq. and NJAC 11:15-5.1 et seq.

"NET CURRENT SURPLUS" or **"SURPLUS"** means the excess of the SHIF's unencumbered assets over its reserves and liabilities.

"PRODUCER" means any person engaged in the business of an insurance agent, insurance broker or insurance consultant as defined in N.J.S.A. 17:22A-1 et seq.

"RISK MANAGEMENT PROGRAM" means a plan and activities carried out under that plan, by a joint insurance fund to reduce risk of loss with respect to a particular line of insurance protection or coverage provided by a joint insurance fund pursuant to N.J.S.A. 18A:18B-1 et seq. Risk management program also includes the administration of one or more funds, including the processing and defense of claims brought against or on behalf of members of the SHIF.

"RUN-IN LIABILITY" means liability for claims incurred but not reported by a prospective member in connection with the provision of health benefits during the period prior to joining the SHIF.

"RUN-OUT LIABILITY" means liability for claims incurred but not reported by a former SHIF member during the period it was a member.

"SCHOOLS HEALTH INSURANCE FUND" or **"SHIF"** means this Fund, to be known as the Schools Health Insurance Fund, a group established by two or more school boards to create a self-insurance fund for the sole purposes of providing contributory or non-contributory group health insurance or group term life insurance to their employees or dependents and to any other person eligible for coverage by a member school board pursuant to law, approved by the Department pursuant to N.J.S.A. 18A:18B-1 et seq. and N.J.A.C. 11:15-5.1 et seq.

"SECRETARY" means the secretary of the board of trustees as may be designated by the trustees.

"SERVICING ORGANIZATION" or **"PROGRAM MANAGER"** means an individual, partnership, association or corporation, other than the Administrator, that has contracted with the SHIF to provide, on the SHIF's behalf, any functions as designated by the SHIF trustees including, but not limited to, actuarial services, claims administration, cost containment services, legal services, auditing services, financial services, compilation and maintenance of the SHIF's underwriting file, coordination and preparation of plan documents, employee booklets and other documents, risk selection and pricing, stop-loss or reinsurance producer services which include

producer negotiations on behalf of the SHIF for stop-loss or reinsurance from an insurer, member assessment and fee development, report preparation pursuant to N.J.S.A. 18A:18B-1 et seq. or N.J.A.C. 11:15-1 et. seq. and such other duties as designated by the SHIF.

"STOP-LOSS INSURANCE" or **"REINSURANCE"** means insurance, purchased from an insurer authorized or admitted in the State of New Jersey to transact life or health insurance, as applicable, covering losses in excess of an amount established between the joint insurance fund and the insurer up to the limits of coverage set forth in the insurance contract on a specific per occurrence, per individual or annual aggregate basis.

"TRUSTEES" means the board of trustees established pursuant to the bylaws of the SHIF to govern or manage the risk management programs, joint self-insurance fund or funds and related services of the group.

Article II MEMBERSHIP

A. Membership Applications

Pursuant to N.J.S.A. 18A:18B-3, the governing body of a board of education shall by resolution agree to join the SHIF. The resolution shall provide for execution of a written agreement specifically providing for acceptance of the SHIF's Bylaws as approved and adopted pursuant to N.J.S.A. 18A:18B-4. The resolution shall also provide for the execution of an Indemnity and Trust agreement as defined in Article I.

B. Membership Applications

1. Any board of education seeking membership shall submit an application to the SHIF on a form acceptable to the Commissioner. The application shall include an executed Indemnity and Trust Agreement and other documentation required under Section A. above.
2. An application may be approved by a two-thirds vote of the Board of Trustees of the SHIF, , which approval shall be based upon an evaluation the applicant's claims experience, plan design and personnel practices and their compatibility with the SHIF's objectives and whether the applicant meets other criteria established by the SHIF.
3. Within 15 days of its approval by the SHIF, the executed Indemnity and Trust Agreement and the resolution required under Section A above shall be concurrently filed with the Commissioner. The filing shall be accompanied by a revised budget with assessment detail if the addition of the new member changes the total budget five percent from the original budget or the latest filed amended budget. The filing shall also include the name of the new member's insurance fund Trustee and alternates in accordance with these ByLaws, amendments to the SHIF's Bylaws and Plan of Risk

Management as may be necessary, and any other information the Commissioner may deem necessary.

4. If a non-member board of education is not approved for membership, the SHIF shall set forth in writing the reasons for disapproval and send the reasons for disapproval to the non-member board of education. The SHIF shall retain a copy of all disapprovals for five (5) years.

C. Membership Renewals

1. Members may renew their participation by execution of a new agreement to rejoin the SHIF adopted in accordance with the procedures set forth in N.J.A.C. 11:15-5.3 affirmed by resolution as provided for in Section A, above, ninety (90) days prior to the expiration of the term period.
2. The Board of Trustees must act on any renewal application no later than forty-five (45) days prior to the expiration of the term period. Otherwise, the renewal application is automatically approved.
3. A renewal application may be rejected by a majority of the full-authorized membership of the Board of Trustees based upon nonpayment of assessments, noncompliance with risk management or underwriting standards or for other reasons subject to the prior approval of the Commissioner.
4. If a member's renewal application is rejected, the SHIF shall comply with subsection D.2, 3 and 4 below.
5. Non-renewal of a member does not relieve the member of responsibility for claims incurred by the SHIF during its period of membership.

D. Termination and/or Withdrawal of SHIF Members

1. A participating board of education may be terminated before the end of its membership by a two-thirds (2/3) vote of the Board of Trustees . Termination may occur for non-payment of assessments or continued non-compliance, after written notice to comply, with these Bylaws, noncompliance with risk management or underwriting standards or for other reasons subject to the prior approval of the Commissioner as to reasons for termination. However, such participating board of education shall not be deemed terminated until:
 - a. The SHIF gives, by registered or certified mail to the member, thirty (30) days written notice of its intention to terminate the member, which notice shall state the reasons for termination.
 - b. Like notice shall be filed with the Department together with a certified

statement that the notice provided for above has been given; and

- c. Thirty (30) days has elapsed after the filing required by "b" above.
2. A participating board of education may withdraw from the SHIF before the end of its membership term by sending written notice of its intent to withdraw to the SHIF accompanied by a certified copy of the resolution adopted by the board of education's governing body authorizing the withdrawal. The SHIF shall adopt a standard withdrawal resolution, satisfactory to the Commissioner, and the board of education shall use this standard withdrawal resolution. Written notice of the intent to withdraw must be received by the SHIF at least ninety (90) days before the date of withdrawal.
3. A member of the SHIF that does not desire to continue as a member after the expiration of its membership term shall give written notice of its intent ninety (90) days before the expiration of the term period. The SHIF shall immediately notify the Department that the member has given notice to leave the SHIF.
4. A member that has been terminated or does not continue as a member of the SHIF shall nevertheless share in any surplus in the appropriate trust accounts for that Fund Year pro rata according to its participation and remain jointly and severally liable for claims incurred by the SHIF and its members during the period of its membership, including, but not limited to, being subject to and liable for supplemental assessments.
5. Prior to the conclusion of the SHIF's current fiscal year, the SHIF shall provide written notification to a member that has been terminated by or withdrawn from the SHIF, of the estimated surplus or estimated supplemental assessment for which the member may share or be liable pursuant to 4 above.
6. The SHIF shall immediately notify the Department if the termination or withdrawal of a member causes the SHIF to fail to meet any of the requirements of N.J.S.A. 18A:18B-1 et seq. or any other law or regulation of the State of New Jersey. Within fifteen (15) days of such notice, the SHIF shall advise the Department of its plan to bring the SHIF into compliance.
7. A SHIF member is not relieved of the claims incurred during its period of membership except through payment by the SHIF or member of those claims.
8. The SHIF shall only cover claims received by a member board of education's active employees, retirees, and individuals covered under COBRA and conversion options during the period the board of education was a member of the SHIF.

Article III ORGANIZATION

A. Commissioners

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1. Appointment:

- a. Commissioners: In the manner generally prescribed by law, each participating board of education shall appoint one (1) Commissioner to represent the board of education to the SHIF. The person appointed shall be either a member of its governing body or one of its employees.
- b. Alternate Commissioner: Each participating board of education may also appoint an Alternate Commissioner who shall be a member of the governing body or employee of the board of education and shall serve as the board of education's SHIF Commissioner in the absence of the regular SHIF Commissioner.
- c. Special Commissioner: In the event that the number of participating board of educations is an even number, one (1) Special Commissioner and an alternate to the Special Commissioner shall be appointed annually by a participating board of education on a rotating basis determined alphabetically.

The board of education's privilege to appoint the Special Commissioner shall remain with that board of education for one (1) entire Fund Year and the subsequent admission to the SHIF of a board of education with a preceding alphabetical prefix shall not deprive any board of education already a member of the SHIF of its prerogative to appoint a Special Commissioner during a current board of education Fund Year.

2. Terms of Office and Vacancy:

- a. All terms of office shall expire on July 1st or, if later, until a successor is duly appointed and qualified.
- b. Commissioners, other than the Special Commissioner, who are members of the appointing member's governing body shall hold office for two (2) years or for the remainder of their terms as elected officials, whichever shall be less. Commissioners who are employees of the member board of education shall serve at the pleasure of the appointing authority and can be removed by the member at any time without cause. The Special Commissioner, if any, shall serve until July 1st of the year following appointment provided, however, that if the Special Commissioner is an employee of the appointing member, he or she can be removed by the appointing board of education at any time without cause.
- c. The unexpired term of a Commissioner shall be filled by the appointing board of education in the manner generally prescribed by law or as provided in its bylaws.

- d. Any SHIF Commissioner can be removed from office for cause by two-thirds (2/3) vote of the full membership of the Commissioners. Upon such a vote it shall be incumbent upon the member board of education to replace the Commissioner.
3. Responsibilities & Rights:
 - a. The Commissioners are hereby authorized and empowered to operate the SHIF in accordance with these Bylaws and appropriate state laws and regulations.
 - b. Each Commissioner shall have one vote.
 - c. Each Commissioner shall be responsible to monitor all SHIF activities through attendance at meetings and/or examination of monthly minutes and reports.

B. Officers

1. As soon as possible after the beginning of each year, the Commissioners shall meet to elect the officers of the SHIF from their own membership. SHIF officers shall serve until July 1st of the following year, or, if later, until a successor is duly elected and qualified.
 - a. Chairperson: The Chairperson shall preside at all meetings of the Board of Trustees and shall perform such other duties provided for in these Bylaws and the laws and regulations of the State of New Jersey.
 - b. Secretary: The Secretary shall serve as Acting Chairperson in the absence of the Chairperson-and shall perform such other duties as provided for in these bylaws and the laws and regulations of the State of New Jersey.
2. In the event of a vacancy in any of the officer positions caused by other than the expiration of the term of office, the Board of Trustees shall by majority vote fill the vacancy for the unexpired term. In the event of a vacancy of both the Chairperson and Secretary, the longest serving member of the Board of Trustees or otherwise the longest serving Fund Trustee shall serve as Acting Chairperson until the vacancies are filled.
3. Any officer can be removed with cause at any time by a two-thirds (2/3) vote of the full membership of the Board of Trustees. In this event, the majority vote of the Board of Trustees shall to be used to elect a trustee to fill the vacancy for the unexpired term.

C. Board of Trustees

1. As soon as possible after the beginning of the year, the Commissioners shall meet and

elect a Board of Trustees of not less than three (3) nor more than fifteen (15) members, inclusive of the persons elected as the Chairperson and Secretary, who shall be members of the Board of Trustees based upon their election to such office. The members of the Board of Trustees shall be elected from among the Commissioners of the SHIF and the number of Trustees serving on the Board of Trustees shall not exceed number of Commissioners plus the Special Commissioner if the membership is an even number (and not in excess of 14). During their term of office, members of the Board of Trustees shall exercise the full power and authority granted to the Board of Trustees except as otherwise provided in these bylaws and as set forth below and in NJSA 18A:18B-4(b) and NJAC 11:15-5.6(b).

(i) To determine and establish contributions and rates, loss reserves, surplus, limits of coverage, limits of excess or reinsurance, coverage documents, dividends and other financial and operating policies of the group or fund;

(ii) To invest moneys held in trust under any fund in investments which are approved for investment by regulation of the State Investment Council for surplus moneys of the State or, at the discretion of the board, to transfer moneys held in trust under any fund to the Director of the Division of Investment in the Department of the Treasury for investment on behalf of the board in accordance with the standards governing the investment of other funds which are managed under the rules and regulations of the State Investment Council. However, any moneys transferred to the director for investment may not thereafter be withdrawn except upon withdrawal of a member from the group or a fund or termination of the group or a fund or in specific amounts in payment of specific claims, administrative expenses or member dividends upon affidavit of the director or other chief executive officer of the group;

(iii) To purchase, acquire, hold, lease, sell and convey real and personal property, all of which property shall be exempt from taxation under chapter 4 of Title 54, Taxation, of the Revised Statutes;

(iv) To collect and disburse all money due to or payable by the group, or authorize such collection and disbursement;

(v) To enter into contracts with other persons or with public bodies of this State for any professional, administrative or other services as may be necessary to carry out the purposes of the group or any fund;

(vi) To purchase and serve as the master policyholders if desired, for any insurance, including excess or reinsurance;

(vii) To prepare, or cause to be prepared, a risk management program for the SHIF;

(viii) As the need arises, from time to time, to amend the bylaws or risk management program of the SHIF as provided, respectively, in Article V.C and Article IV.B,

hereof:

- (ix) To do all other things necessary and proper to carry out the purposes for which the SHIF is established.
2. The Board of Trustees shall serve co-terminously with their underlying office until July 1st of the following year, or, if later, until their successors are duly elected and qualified.
 3. The Board of Trustees shall also elect up to three (3) Commissioners to serve as alternate members of the Board of Trustees. The alternate, or alternates, serving in the absence of a member, or members, of the Board of Trustees shall exercise the full power and authority of that absent trustee or trustees.
 - a. Alternates shall serve in established priority order, designated as alternate #1, alternate #2, and alternate #3. Alternate #1 shall serve in the absence of one member of the Executive Committee or in the absence of alternate #1, alternate #2 may serve and so on through alternate #3. One or more alternates starting with alternates #1 and #2 shall serve in the absence of two or more Board of Trustee members.
 4. In the event of a vacancy on the Board of Trustees caused by a reason other than the expiration of the term of office, the Board of Trustees shall by a majority vote fill the vacancy for the unexpired term. In the event the Board of Trustees fails to fill the vacancy, the Commissioners shall fill the vacancy
 5. The Board of Trustees shall oversee the SHIF Professionals and the operation of the SHIF to assure compliance with these Bylaws and applicable rules and regulations.
 6. Any member of the Board of Trustees can be removed from office for cause by two-thirds (2/3) vote of the full membership of the Board of Trustees. Upon such a vote it shall be incumbent upon the Board of Trustees to elect a replacement.
 7. The members of the Board of Trustees may elect to pay themselves a fee for attending Board of Trustee meetings in an amount not to exceed that amount authorized by applicable State law.

D. SHIF Professionals

As soon as possible after the beginning of each Fund Year, the Board of Trustees shall meet and select persons to serve in the following professional positions. No professional nor any employee, officer or director, or beneficial owner thereof, shall be a Commissioner or Trustee of the SHIF. All professionals shall be retained pursuant to the "Public School Contracts Law."

1. Treasurer: The Treasurer shall be a School Business Administrator (delete: Certified Municipal Finance Officer) or Certified School Administrator or certified public accountant with experience in financial accounting and reporting for public entities and shall have the following duties and responsibilities:
 - a. The Treasurer shall be the custodian of the SHIF's assets and shall maintain the various trust funds.
 - b. The Treasurer shall approve all receipts, payments and financial records.
 - c. The Treasurer shall prepare the SHIF's cash management plan and shall invest all balances.
 - d. The Treasurer shall ascertain the availability of sufficient unencumbered funds in any account to fully pay all charges or commitments prior to any payment or commitment.
 - e. The Treasurer shall perform such other duties as specified by the Board of Trustees in its manual of operations and to discharge the duties of the office as set forth in N.J.S.A. 18AA:18B-1 et seq. and N.J.A.C. 11:15-5.1 et seq.
 - f. The Treasurer shall be covered by a fidelity bond protecting the SHIF's assets in a form and amount to be determined annually by the SHIF. Said bond shall be paid by the SHIF.

2. Administrator:
 - a. The Administrator shall serve as the executive director of the SHIF and shall be experienced in risk management matters and self-funded entities.
 - b. The Administrator shall have the following duties and responsibilities:
 - 1) The Administrator shall carry out the policies established by the SHIF and to otherwise administer and provide for day-to-day management of the SHIF.
 - i. Prepare for approval of the Board of Trustees and implement the SHIF's operations manual and policy procedures manual.
 - ii. Prepare the SHIF's budget, compile and bill the monthly assessments.
 - iii. Maintain the SHIF's underwriting files including census data, prepare new member submissions for review by the Board of Trustees and supply underwriting data to other SHIF

professionals as needed.

- iv. Maintain the SHIF's general ledger, accounts payable and accounts receivable functions.
 - v. Coordinate the SHIF's meeting agendas, minutes, elections, contracts as well as maintain the SHIF's official records and office.
 - vi. Prepare all filings required by state regulators.
 - vii. Attend all meetings of the SHIF.
 - viii. Perform such other duties specified by the SHIF in its manual of operations pertaining to the Administrator.
 - ix. Assume overall executive responsibility for the operations of the SHIF except that the Administrator shall not be responsible for the errors and omissions of any other Servicing Organization following the directives of the SHIF, their Service Provider Contract, or the applicable statutes and regulations as to the form and timeliness of said undertakings. For example, the Administrator shall be responsible to verify the issuance of excess or reinsurance policies and the timely receipt of said policies by the SHIF, however, the Administrator shall not be responsible for the content of the policies or the adequacy of the coverage.
- c. The Administrator shall be bonded in a form and amount acceptable to the Trustees. The Administrator shall also be covered by Errors and Omissions insurance as provided by N.J.A.C. 11:15 5.6(f)7 and/or supplements or amendments pertaining thereto.

3. Auditor:

The Auditor shall be an independent certified public accountant (CPA) or a registered municipal accountant (RMA). The Auditor shall conduct the annual audit of the SHIF in accordance with GAAP, N.J.S.A. 40A: 10-46 and N.J.A.C. 11:15-5.24 and shall perform such other duties as provided by the SHIF, these Bylaws and the laws and regulations of the State of New Jersey.

4. Attorney: The Attorney shall have the following responsibilities:

- a. The Attorney shall advise the SHIF on legal matters and the appropriateness of claim settlements recommended by the Claims Administrator.

- b. The Attorney shall be available to assist the member boards of education through their attorneys in negotiation with bargaining units concerning benefit plan designs, coverage, etc.
- c. The Attorney shall advise the SHIF on the selection of outside counsel to represent the SHIF when appropriate.
- d. The Attorney shall perform such other duties as provided for by the SHIF, these Bylaws and the laws and regulations of the state of New Jersey including the representation of the SHIF in legal proceedings where applicable.

5. Actuary:

The Actuary shall certify the actuarial soundness of the SHIF and shall report to the Board of Trustees in a manner and at such times established by them and shall provide such actuarial reports as required by the Commissioner. The Actuary shall certify loss reserves, reserves for "Incurred But Not Reported" (IBNR) losses and unearned assessments and shall comment on the adequacy of the budget.

6. Program Manager:

- a. The Program Manager shall be experienced in health insurance matters.
- b. The Program Manager's duties and responsibilities shall be:
 - i. Act as Program Design Consultant and twice per year prepare a report to the SHIF concerning overall trends and developments in employee benefits, along with a statistical analysis of the SHIF's claims data to identify trends and potential cost containment strategies.
 - ii. Meet with and advise various subcommittees established by the SHIF for purposes of plan design and cost containment and prepare written reports concerning the deliberation of these subcommittees.
 - iii. Prepare written specifications for review by the SHIF for HMO's, PPO'S, conversion benefits, COBRA, TPA's, managed care and cost containment providers, reinsurance, claim auditors, technical writers and, at the request of the SHIF, secure these services and/or reinsurance in compliance with the "Public School Contracts Law."
 - iv. Twice a year, prepare a written report to the SHIF and the Administrator concerning the compliance of the various Service Providers listed in subparagraph iii above with respect to the written specifications provided, however, that this evaluation is not intended to be in the scope

of an audit and shall not include financial related reviews or evaluate the accuracy of claim payments.

- v. Provide field services to the member board of educations including:
 - (a) Resolve coverage, claims and service questions for employees and bargaining units. The Program Manager shall maintain a complaint log and shall review each month the complaint log prepared by the TPA and the TPA's compliance with the disputed claims procedure. The Program Manager shall prepare a written report each month to the SHIF and the Administrator and shall deliver the Program Manager's complaint log at the end of each quarter to the Administrator for inclusion in the SHIF's official records. The Program Manager shall also prepare a written recommendation to the SHIF of disputed claims, which are referred to the SHIF for decision.
 - (b) Coordinate the preparation of all plan documents, employee booklets, I.D. cards and other employee communications as well as be available for meetings with member board of educations to explain benefit issues as requested.
 - (c) Advise member boards of education concerning plan design changes, present such changes to the SHIF for approval in accordance with the SHIF's procedures and coordinate all appropriate revisions to documents necessitated by such changes.
 - (d) Prepare employee communications documents concerning initial enrollment and the annual open enrollment, and coordinate the enrollment process between the member board of educations and other SHIF professionals.
- vi. Identify boards of education which may qualify for membership, be available to discuss the SHIF with potential members, assist in the preparation of applications, review the new member submissions prepared by the Administrator and coordinate the filed level implementation of the program in the event the board of education is accepted for membership by the Board of Trustees.
- vii. Attend all meetings of the SHIF.
- viii. Perform such other duties as may be reasonably requested by the SHIF.
- c. The Program Manager shall be bonded in a form and amount acceptable to the Board of Trustees. The Program Manager shall be covered by Errors &

Omissions insurance.

7. All professionals shall be retained on a contractual basis. Said contracts shall be approved by the SHIF and submitted to the Commissioner and the Department.
8. The SHIF may, in its discretion, appoint or retain such additional servicing organizations or professionals that it may deem necessary or prudent for the conduct of the SHIF's business.

E. Indemnification of Officers and Employees

1. The Administrator, Program Manager and Third Party Claims Administrator and such others as required by regulation to do so shall provide Errors & Omissions coverage in a form satisfactory to the Commissioner.
2. The Board of Trustees, in its discretion may, but shall not be required to, have the Auditor, Treasurer, Attorney or Actuary or other Servicing Organization produce evidence of Errors and Omissions coverage, and such other coverage as they deem advisable, as a condition of employment.
3. Except to the extent covered by Errors and Omissions insurance as may be required, as set forth above, the SHIF shall indemnify any past, present or future SHIF Trustees, and may indemnify such other officials or professionals or Service Providers as the Board of Trustees determines, for claims arising from an act or omission of such SHIF Trustee, official or employee within the scope of the performance of such individual's duties as SHIF Trustee, official or employee. Such indemnification shall include the reasonable costs and expenses incurred in defending such claims. Nothing contained herein shall require the SHIF to pay punitive damages or exemplary damages arising from the commission of a crime by such an individual and the SHIF shall not be required to provide for the defense or indemnification of such an individual when the act or omission which caused the injury was the result of actual fraud, actual malice, gross negligence or willful misconduct of such individual, or in the event of a claim against such an individual by the State of New Jersey or if such SHIF Trustee, official or employee is either covered, or required to be covered, by Errors & Omissions liability insurance. The determination as to whether an individual's conduct falls within any of the above exceptions shall be made by the Board of Trustees. Nothing herein contained is intended to shield any employee or appointed official from liability for any act, omission or wrong-doing which would not customarily be covered by Errors & Omissions insurance if same had been required of said employee or appointed officials.
4. A present, past or future SHIF Trustee, official or employee of the SHIF shall not be entitled to a defense or indemnification from the SHIF unless:
 - a. Within ten (10) calendar days of the time he or she is served with the summons, complaint, process, notice or pleadings, he or she delivers the original or exact

copy to the SHIF Chairman with a copy to the SHIF attorney selected by the SHIF to handle such matters, together with a request that the SHIF provide for his or her defense; and

- b. In the event the SHIF provides a defense or indemnification, he or she cooperates in the preparation and presentation of the defense with the attorney selected to defend the case; and
 - c. Except in those instances where a conflict of interest exists, as determined by an attorney selected by the SHIF to handle such matters, the past, present or future SHIF Trustee, official or employee shall agree that the SHIF and its counsel shall have exclusive control over the handling of the litigation.
5. The foregoing right of indemnification shall not be exclusive of any other rights to which any SHIF Trustee, official or employee may be entitled as a matter of law or which may be lawfully granted to him or her; and the right to indemnification hereby granted by this SHIF shall be in addition to and not in restriction or limitation of any other privilege or power which the SHIF may lawfully exercise with respect to the indemnification or reimbursement of any SHIF Trustee, official or employee; except that in no event shall a SHIF Trustee, official or employee receive compensation in excess of the full amount of a claim and the reasonable costs and expenses incurred in defending such claim.
 6. Expenses incurred by any SHIF Trustee, official or employee in defending an action, suit or proceeding may be paid by the SHIF in advance of final determination of such action, suit or proceeding as authorized by the SHIF in a specific case upon receipt of an undertaking by or on behalf of such member or officer to repay such amount in the event of an ultimate determination that his or her conduct was such as to fall outside the scope of coverage under this indemnification provision.

Article IV OPERATION OF THE SHIF

A. General Operation

1. The SHIF shall be subject to, and operate in compliance with, the provisions of the "Local Fiscal Affairs law" (N.J.S.A. 40A:5-1, et. seq.), the "the Public School Contracts Law" (N.J.S.A. 18A:18A-1 et. seq.), and regulations (including but not limited to N.J.A.C. 11:15-5.1 et seq.) and the various statutes authorizing the investment of public funds, including, but not limited to, N.J.S.A. 40A:10-10(b), 17-12B-241 and 17:16I-1 et. seq.
2. The SHIF shall be considered a board of education for purposes of the "Public School Contracts Law" (N.J.S.A. 18A:18A-1 et. seq.) and shall be governed by the provisions of that law in the purchase of any goods, materials, supplies and services.

3. The SHIF shall be operated with sufficient aggregate financial strength and liquidity to assure that all obligations will be promptly met. The SHIF shall prepare a financial statement on a form acceptable to the Commissioner showing the financial ability of the SHIF to meet its obligations. In consultation with the SHIF Actuary, the SHIF shall establish actuarially sound policies and claim reserves, and shall include the methodology and assumptions for the calculation of these reserves in its Plan of Risk Management. By majority vote of the full authorized membership, the Board of Trustees may request that the Commissioner order an examination of any SHIF member which the SHIF Trustees in good faith believes may be in a financial condition detrimental to other SHIF members or to the public.
4. All monies, assessments, funds and other assets of the SHIF shall be under the exclusive control of the Board of Trustees.
5. The SHIF shall adopt a resolution designating its fiscal year as July 1 through June 30th.
6. The SHIF shall adopt a resolution designating a public depository or depositories for its monies pursuant to N.J.S.A. 40A:5-14. The resolution shall also designate a person to be custodian of funds for the SHIF and shall authorize the custodian to invest temporarily free balances of any claim or administrative accounts periodically as authorized by law. The custodian of funds shall possess a School Business Administrator certificate issued pursuant to N.J.A.C. 6A:11-9.7 or Certified School Administrator or certified public accountant license with experience in financial accounting and reporting for public entities and shall have the following duties and responsibilities: The custodian shall quarterly report to the SHIF on investment and interest income.
7. All books, records, files, documents and equipment of the joint insurance fund are the property of the SHIF and, except as provided at N.J.A.C. 11:15-5.21(e), shall be retained by the Administrator at the discretion of the SHIF Trustees in accordance with a record retention program adopted by the SHIF. All books, records, files and documents of the SHIF shall be retained for not less than five years. The SHIF shall also retain claims information as per N.J.A.C. 11:15-5.4(g).

B. Risk Management Plan

1. The Board of Trustees shall prepare or cause to be prepared a plan of Risk Management for the SHIF pursuant to N.J.A.C. 11:15-5.6(d). The Risk Management Plan shall be adopted by resolution of the Board of Trustees.
2. The Risk Management Plan and all amendments must be approved by the Commissioner before taking effect.

C. Servicing Organizations

1. The SHIF may contract to have the following services performed:
 - a. Claims, adjusting, adjudication and administration.
 - b. Compilation of statistics and the preparation of assessment, loss and expense reports.
 - c. Preparation of reports required pursuant to N.J.S.A. 18A:18B-1 et seq. and N.J.A.C. 11:15-5.1 et seq.
 - d. Development of members' assessments and fees.
 - e. Cost containment services
 - f. Legal services
 - g. Risk selection and pricing
 - h. Stop-loss and reinsurance producer services
 - i. Actuarial services
 - j. Internal auditing service
 - k. Such other services as the SHIF Trustees may deem necessary to properly manage the SHIF.
2. No Servicing Organization, or Program Manager, or producer appointed by the SHIF pursuant to N.J.A.C. 11:15-5.26, or their employees, officers or directors shall have either a direct or indirect financial interest in an Administrator of the SHIF or be an employee, officer or director of an Administrator unless written notice of such interest has been provided to the SHIF Trustees and members. Further, no Administrator of the fund, or its employees, officers or directors shall be an employee of or have a direct or indirect financial interest in a Servicing Organization, Program Manager, or Producer appointed by that SHIF pursuant to N.J.A.C. 11:15-5.26, unless written notice of such interest has been provided to the SHIF Trustees and members.
3. Each service contract shall include a clause stating "unless the SHIF Trustees otherwise permit, the Servicing Organization (or Program Manager, as applicable) shall handle to their conclusion all claims and other obligations incurred during the contract period."
4. Each Servicing Organization shall, if required by law, provide a surety bond and Errors & Omissions coverage in a form and amount acceptable to the Commissioner.

5. All officers, employees and agents, including the Administrator and Servicing Organization of the SHIF, on the final day of their contract or employment shall surrender and deliver to their successors all accounts, funds, property, records, books and any other material relating to their contract or employment, of if no successor has been designated, delivery shall be made to the Administrator or SHIF Chairperson.

D. Financial Statement and Reports

1. The SHIF shall provide its members with periodic reports covering the activities and status of the SHIF for the reporting period. The reports shall be made at least quarterly and may be made more frequently at the discretion of the Board of Trustees and shall include, but not be limited to, the minutes, the Administrator's report and a summation of SHIF activity, including comments on previously reported claims and newly reported claims, and any other information required by the SHIF Trustees. The Treasurer's report shall include budget status, account balances, claims information, investment status, earnings and costs of making investments. These reports shall also be submitted, with a copy of the minutes of closed session, to the Department.
2. A sworn annual report in a form prescribed by the Commissioner shall be prepared by the SHIF, filed with the Department and made available to each SHIF member not later than one hundred twenty (120) days after the end of the SHIF year. The report shall be accompanied by:
 - a. An annual audited statement of the financial condition of the SHIF prepared by the Auditor and performed in accordance with generally accepted accounting principles and N.J.S.A. 18A:18B-4(a)(8), which shall include a statement of the organization of the fund, including its balance sheet and receipts and disbursements for the proceeding fiscal year.
 - b. Reports of outstanding liabilities by line of coverage showing the number of claims, amounts paid to date and current reserves for losses, claims and unearned assessments, as certified by an actuary.
 - c. Reports of all incurred but not reported liabilities certified by an actuary.
 - d. Any material changes in information from previously submitted.
 - e. The number of covered individuals by line of coverage.
3. In addition to the reports required pursuant to section 2 above, the SHIF shall also file quarterly unaudited statements of financial condition of the fund in a form acceptable to the Commissioner with the Department and the Department of Community Affairs within sixty (60) calendar days after the end of each calendar quarter.
4. Such other information as may be required by the Department pursuant to N.J.A.C. 11:15-

5.24.

E. Coverage's

The SHIF shall offer health insurance coverages to the members. Upon a majority vote of the SHIF Trustees, and the approval of the Commissioner, the SHIF may also offer other employee benefits permitted pursuant to N.J.S.A. 18A;18B-1, et. seq. At least thirty (30) days prior to the beginning of each SHIF Year renewal, the SHIF shall notify the Commissioner of any changes in coverage and benefit levels as may be determined and specified by the SHIF and its members along with copies of written notice to affected persons.

Article V
MEETING AND RULES OF ORDER AND AMENDMENT OF BYLAWS

A. Meetings

1. Annual Organization Meeting: As soon as possible after the beginning of the Fund Year, the SHIF Commissioners shall meet to elect officers and the Board of Trustees, to appoint professionals and to conduct such other business as is necessary. The time and place for the meeting shall be established by the Chairperson, and the Secretary shall send written notice to the clerks of participating boards of education at least two (2) weeks in advance.
2. Regular Meeting: The SHIF Board of Trustees shall establish a schedule of regular meetings to conduct the business of the SHIF, which shall be at least quarterly. All SHIF Commissioners may attend open or closed sessions of the Board of Trustees, subject to the provisions of Article XIII, F (4) hereof concerning confidentiality and the claims handling procedure.
3. Special Meeting: The Chairperson, or three (3) SHIF Trustees may call a special meeting by notifying the Secretary at least three (3) days in advance. The Secretary shall notify the SHIF Commissioners and Board of Trustees by telephone. If the Secretary is unable to reach a member as of forty-eight (48) hours before the meeting, the Secretary shall telephone another official of the board of education using the following order: Member's Clerk, Business Administrator.
4. Quorum: The quorum for a meeting of SHIF Commissioners shall be as follows:
 - a. A majority of the total SHIF Commissioners unless the total number exceeds 25.
 - b. If the total number of SHIF Commissioners exceeds 25 in number, then a quorum shall be 13 plus a sum equal to 20% of the number of members in excess of 25 rounded to the next highest number.

5. A quorum for Board of Trustees meetings shall be a majority of the total Board of Trustees, including the Chairperson, Secretary.
6. Whenever an election is required, the SHIF Chairperson may cause a paper ballot to be mailed to each SHIF Commissioner which shall be counted at a time and place established by the Chairperson. In the event the number of valid ballots is less than a quorum, the vote shall be null and void.
7. The Secretary shall cause written minutes to be maintained of all SHIF meetings, and shall cause the minutes to be made available to the Commissioner upon request.

B. Conduct of Meeting

1. All meetings of the Fund shall be subject to the rules and regulations of the Open Public Meetings Act.
2. Unless otherwise provided in these Bylaws, or in the laws or regulations of the State of New Jersey, "Robert's Rules of Order" shall govern the conduct of all meetings.

C. Amendments to the Bylaws

1. Any SHIF Trustee may propose an amendment to the Bylaws by filing the proposed amendment in writing with the Secretary.
2. Upon receipt of a proposed amendment, the Secretary shall notify the Chairperson who shall schedule a hearing to be held not more than forty-five (45) days from the date the amendment was filed. The Secretary shall notify in writing all SHIF Trustees of the hearing date and shall send all SHIF Trustees a copy of the proposed amendment.
3. The amendment is adopted by the SHIF when it is approved unanimously by the Board of Trustees and the governing bodies of three-fourths (3/4) of the member Boards of Education represented by the Trustees comprising the Board of Trustees approve the amendment within six (6) months of the hearing on the amendment. If after six (6) months, the Secretary has not received written notice of approval from three-fourths (3/4) of the applicable member boards of education, the Secretary shall notify the Board of Trustees that time has expired for the adoption of the amendment.
4. If adopted, the amendment shall not take effect until approved by the Commissioner.
5. Within ninety (90) days after the effective date of any amendment to the Bylaws, a member board of education that has adopted a Resolution stating that they do not approve of the amendment may withdraw from the SHIF provided it shall remain liable for its share of any claims or expenses incurred by the SHIF during its period of membership.

**Article VI
BUDGETS**

A. Budget Preparation

1. Each year, not later than sixty (60) days prior to the beginning of the SHIF's subsequent fiscal year, the SHIF shall prepare the budget for the next fiscal year. The budget shall identify the proposed items and amounts of expenditure for its operations, the anticipated amounts and sources of assessments and other income to be received during the fiscal year and the status of the self-insurance or loss retention accounts. The budget shall be prepared on a basis that does not recognize investment income or discounting of claim reserves, but recognizes all anticipated or forecasted losses and administrative expenses associated with that fiscal year.
2. The budget shall be reviewed by an actuary who shall comment on its adequacy and shall recommend changes, as appropriate prior to the budget introduction.

B. Budget Adoption

1. Not later than June 30th of each year, the Board of Trustees shall adopt by majority vote the budget for the SHIF's operation for the coming fiscal year.
2. A copy of the SHIF's proposed budget shall be sent to each participating board of education at least two (2) weeks prior to the time scheduled for its adoption. No budget or amendment shall be adopted until a hearing has been held giving all participating boards of education the opportunity to present comments or objections.
3. A copy of the adopted budget and actuarial certification shall be filed within thirty (30) days of its adoption with the governing body of each participating board of education and the Commissioner.
4. An adopted budget may be amended by majority vote of the Board of Trustees after giving the participating boards of education two (2) weeks' written notice and conducting a hearing on the proposed amendment.
5. A copy of any amendment to the SHIF budget shall be filed quarterly with the governing body of each member board of education.
6. A copy of any amendment to the SHIF budget shall be filed with the Commissioner thirty (30) days of the adoption of any budget amendment which either singly or cumulatively with other adopted budget amendment changes the total budget five (5%) percent from the original or latest filed amended budget.

**Article VII
ASSESSMENTS**

A. Monthly Assessment (Employee Benefits)

1. Monthly Assessment Rates

By May 1st of each year, the Executive Director shall prepare for review by the Board of Trustees monthly per capita assessment rates by line of coverage for each member. The Board of Trustees may also adopt a capping formula, which distributes the increase in the monthly assessments so that no member's per employee rates increase by more than the average SHIF-wide increase plus a percentage specified by the Board of Trustees. Each member's monthly assessment per capita rates shall be certified by majority vote of the Board of Trustees—to the governing body of each participating board of education at least one (1) month prior to the beginning of the next fiscal quarter. For budget purposes, the SHIF will also compute and communicate each member board of education's maximum cost based on the SHIF's aggregate stop loss excess insurance (if any).

2. Adjusted Monthly Assessment

- a. The Executive Director shall compute the monthly assessment for each member unit by multiplying the member's latest census by its latest employee census. Whenever a change in a member's plan design is approved, the Board of Trustees shall modify that member's monthly per capita assessment rate in accordance with the recommendation of the actuary.
 - b. The Treasurer shall deposit each member's assessments into the applicable accounts including the Administrative Account, Contingency Account and the Claim or Loss Retention Trust SHIF Account by SHIF Year.
3. In the event the SHIF directly bills retirees, and individuals covered pursuant to COBRA and conversion options, the member board of education shall be assessed for any delinquency in said payments.

B. Supplemental Assessments

1. The Board of Trustees shall by majority vote levy on the participating boards of education additional assessments, whenever needed or so ordered by the Commissioner, to supplement the SHIF's Claim Loss Retention or Administrative Accounts to assure the payment of the SHIF's obligations. No retiree, or individual billed directly by the SHIF for coverage under COBRA or conversion options shall be subject to supplemental assessment and any such deficits shall be assessed to the appropriate member board of educations.
2. All supplemental assessments shall be charged to the participating member board of

educations by applicable SHIF year, and shall be apportioned by that year's assessments for that line of coverage.

3. All boards of education shall be given thirty (30) days advance written notice of the SHIF's intention to charge an additional assessment, and the SHIF shall conduct a hearing before adopting the supplemental assessment.
4. Boards of education shall have thirty (30) days to pay the SHIF from the due date established by the Board of Trustees at the time any supplemental assessment is adopted. Whenever possible, the due date shall be no sooner than the beginning of the SHIF's next fiscal year.
5. The SHIF shall submit to the Commissioner a report of the causes of the insufficiency, the assessments necessary to replenish it and the steps taken to prevent a recurrence.

C. Failure or Refusal to Provide Required Assessments

Should any member of the SHIF fail or refuse to pay its assessments or supplemental assessments, or should the SHIF fail to assess funds required to meet its obligations, the Chairperson, or in the event by his or her failure to do so, the custodian of the SHIF's assets shall notify the Commissioner. Past due assessments shall bear interest at the rate of interest established annually by the Board of Trustees. The SHIF Attorney or other attorney selected by the Board of Trustees shall endeavor to collect past due assessments and any accrued interest in any action in Superior Court, Law Division, State of New Jersey, and in the event such action is successful, the SHIF shall also be entitled to collect its costs incurred including reasonable attorneys' fees.

D. Insolvency and/or Bankruptcy of SHIF Members

Insolvency or bankruptcy of a member does not release the SHIF, or any other member, of joint and several liability for the payment of any claim incurred by the member during the period of its membership, including, but not limited to, being subject to and liable for supplemental assessments.

Article VIII REFUNDS

- A. Any monies for a SHIF Year in excess of the amount necessary to fund all obligations for that SHIF Year as certified by an actuary, may be declared to be refundable by the SHIF in accordance with the regulations promulgated by the Department. No retiree or other individual directly billed by the SHIF for coverage including COBRA and conversion shall be eligible for refunds.
- B. A refund for any SHIF Year shall be paid only proportion to the member's participation in the SHIF for such year. Payment of a refund for a year is not contingent on the member's

continued membership in the SHIF after that year.

- C. The SHIF may apply a refund to any arrearage owed by the member to the SHIF. Otherwise, at the option of the member, the refund may be retained by the SHIF and applied toward the member's next assessment.
- D. The Board of Trustees may appropriate a portion of any refund with the appropriate contingency account subject to the provision of N.J.A.C. 11:15-5.13(b).

Article IX

STOP-LOSS INSURANCE AND/OR REINSURANCE

- A. Where self-insured, the SHIF shall provide a plan for specific and/or aggregate stop-loss insurance or reinsurance in a form and amount acceptable to the Commissioner from an insurer or other entity authorized or admitted to provide such coverage in the state pursuant to law.
- B. If due to condition in the commercial insurance market, specific and/or aggregate insurance or reinsurance is either not available or the pricing is such that, or for other valid reasons, in the judgment of the Board of Trustees, it would be in the best interest of the SHIF not to carry such specific and/or aggregate insurance or reinsurance, and if the SHIF's actuary certifies that the retention is in accordance with sound actuarial principles, the Board of Trustees may apply to the Commissioner for a waiver of the requirements of N.J.A.C. 11:15-5.23.
- C. If the waiver referred to in B above is granted by the Commissioner and results in a revision(s) and/or amendment(s) of either the Plan of Risk Management or the Budget, they shall not be effective until they have been approved by the Commissioner.
- D. Certificates of stop-loss insurance and/or reinsurance showing policy limits and other information shall be available for inspection of each member and shall be filed with the Commissioner.
- E. Any proposed change in the terms or limits of stop-loss insurance and/or reinsurance shall be submitted to the Department for approval at least thirty (30) days prior to the effective date of the proposed change.

Article X

TRUST FUND ACCOUNTS, INVESTMENTS AND DISBURSEMENTS

A. Establishment of Trust Fund Accounts

- 1. By resolution, the SHIF shall designate a public depository or depositories for its monies pursuant to N.J.S.A. 40A:5-14. The resolution shall also designate a person to be custodian of the funds for the SHIF and shall authorize the custodian to invest

temporarily free balances of any claim or administrative accounts periodically as authorized by law.

2. The SHIF shall establish a separate SHIF Trust Account in accordance with N.J.A.C. 11:15-5.6(c)6 from which monies shall be disbursed solely for the payment of claims, allocated claims expenses and stop-loss or reinsurance premiums. These accounts shall be designated as Claims or Loss Retention Fund Accounts.
 - a. Other than the purposes specified in 2 above, or as otherwise authorized by N.J.A.C. 11:15-5.13, no transfers or withdrawals may be made from a Claim or Loss Retention account without the prior written approval of the Commissioner.
 - b. In the event the SHIF directly bills retirees, individuals covered under COBRA or conversion options, or other employee contributions, the SHIF shall maintain accounting records of all income and distributions with respect to said contributions, provided that employees, retirees and other individuals directly billed by the SHIF shall not be subject to supplemental assessment and/or refunds.
3. The SHIF shall establish an Administrative Account, which shall be used for payment of the SHIF's general operating expenses, cost containment activities, data processing services and general legal expenses.
4. The SHIF may establish by resolution a separate trust fund account for contingencies and may include in the budget an assessment for this account provided, however, that no such assessment shall be included in rates used to directly bill retirees, or individuals covered under COBRA or conversion options.
 - a. The assessment for the contingency account shall not exceed the limits in N.J.A.C. 11:15-5.13(b).
 - b. The SHIF shall maintain accounting records on contingency accounts by SHIF Year, which shall include:
 - i. The sources of contributions to the contingency account;
 - ii. Transfers from the account to a claims or loss retention trust fund account by SHIF Year;
 - iii. Interest earned, which shall be allocated by the average balance in the contingency account by SHIF Year; and
 - iv. The pro rata share of each member board of education allocable to each member.

- c. In the event a member board of education withdraws or is terminated from the SHIF, the SHIF shall return to the members its share of the contingency account within the time period provided for in N.J.A.C. 11:15-5.20.

B. Investments

1. The free balance of any account shall be invested to obtain the maximum interest return practical. All investments shall be in accordance with the SHIF's cash management plan and consistent with the statutes and rules governing the investment of public funds by boards of education and pursuant to N.J.A.C. 11:15-5.19.
2. The investment and interest income earned by the investment of the assets of each Claim or Loss Retention Account shall be credited to each account by SHIF Year.
3. The investment and interest income earned by investment of the assets of the Administrative Account and Contingency Account shall be credited to that Account.
4. With the prior approval of the Commissioner the SHIF may join together with other joint insurance funds to implement a joint investment and cash management program as permitted pursuant to N.J.S.A. 40:8A-3.

C. Disbursements

1. Prior to any commitment or agreement requiring the expenditure of funds, the custodian of the SHIF's assets shall certify the availability of sufficient unencumbered funds in the account to fully pay all charges or commitments to be accepted.
2. All disbursements, payments of claims and expenditures of funds must be approved by a majority vote of the SHIF's Trustees.
3. Notwithstanding subsections 1 and 2 above, the SHIF may provide for the expeditious resolution of certain claims by designating the SHIF's Administrator or Service Organization as "certifying and approving officer" pursuant to N.J.A.C. 11:15-5.21(b). The SHIF may authorize the "certifying and approving officer" to approve for payment any or specified claims in an amount not to exceed an amount approved by the Commissioner in the Plan of Risk Management. The SHIF shall establish such other procedures and restrictions on the exercise of this authority, as the SHIF may deem appropriate. The authority of the certifying and approving officer may be revoked at any time.
4. Upon approval, the "certifying and approving officer" shall certify the amount and particulars of such approved claims to the custodian of the SHIF's assets directing that a check for payment be prepared.
5. The "certifying and approving officer" shall prepare a report of all claims approved

since the last report, detailing the nature and the amount of the claim, the payee, the reasons supporting payment and any other pertinent information. This report shall be reviewed and approved or rejected by vote of the Board of Trustees at their next scheduled meeting. If any claim approved and paid by the certifying approving officer is not approved by the Board of Trustees, they shall direct that appropriate action shall be taken.

6. Each request for payment must be accompanied by a detailed bill of items or demand, specifying particularly how the bill or demand is made up, with the certification of the party claiming payment that it is correct, and must carry the certification of some officer, or duly designated agent or employee of the SHIF having knowledge of the facts that the goods have been received by or the services rendered to the SHIF. In the case of claims or losses to be charged against any loss fund, the SHIF's Claim Administrator shall certify as to the claims' correctness and validity.
7. All claims shall be paid by check. Each check shall be signed by two persons designated by the SHIF Trustees.
8. All claims and other disbursements approved for payment by the SHIF shall be recorded in a claims register retained by the custodian of the SHIF's assets.

Article XI CONFLICT OF INTEREST

All officials or employees of a participating board of education or any members of the family of such officials or employees shall comply with N.J.S.A. 18A:12-22 et seq. (the "School Ethics Act").

Article XII VOLUNTARY DISSOLUTION OF THE SHIF

- A. If the Board of Trustees deems it in the best interest of the members to dissolve the SHIF, they shall, by majority vote, direct that a plan of dissolution be prepared.
- B. The plan of dissolution must provide for the payment of all incurred losses of the SHIF and its members, including all incurred, but not reported, losses, as certified by an actuary, before any assets of the SHIF or the Trust Fund Accounts may be used for any other purposes. The plan of dissolution shall also contain a statement of the SHIF's current financial condition computed on a statutory basis and computed to generally accepted accounting principles as attested to by an independent certified public accountant.

- C. Upon completion of the plan, the Chairperson shall call a general meeting of all SHIF Trustees who shall review the plan and make any appropriate amendments. By majority vote, the SHIF Trustees may recommend to the members that the SHIF be dissolved in accordance with the plan of dissolution.
- D. A majority of the governing bodies of the participating municipalities must, by resolution, vote to accept the plan of dissolution in order to dissolve the SHIF.
- E. The plan of dissolution, and other such information as may be required, must be filed with, and approved in writing by the Commissioner before the dissolution of the SHIF is effective.

Article XIII
CLAIMS HANDLING PROCEDURE

- A. Compliance: The SHIF shall comply with the requirements of N.J.S.A. 17B:30-13.1 and 13.2 and N.J.A.C. 11:2-17 and N.J.A.C. 11:15-5.22.
- B. Registration of Claims: Covered individuals shall submit claims to the Third Party Claims Administrator (TPA) retained by the SHIF. Each covered employee shall have an identification card, which contains the name and telephone number of the TPA. Claim reporting forms shall be made available to each participant.
- C. Claims Response: Upon receipt of the initial notice of claim, the TPA shall process the information in the following manner:
 - 1. Validate that the person has coverage.
 - 2. Determine if claim is eligible.
 - 3. Calculate the amount payable based upon the plan or benefits deductible, coinsurance, any cost containment features in the plan, and coordination of benefits (COB) factors.
 - 4. Pay valid claims or issue notice of rejection.
 - 5. If a notice of rejection is issued, the reason for said rejection shall be stated thereon.
- D. Periodic Review of Pending Claims: All pending claims will be reviewed not less than monthly. The TPA shall submit a report to the SHIF not less than quarterly.
- E. Approval of Payments: The SHIF shall specify in the contract the TPA's claims payment authority.
- F. Confidentiality:
 - 1. As mandated by New Jersey Law, Employee claims information is privileged and confidential and shall not be included as a part of any open public record.
 - 2. SHIF Trustees and the officials of the member board of education shall not have access

to any employee claim information which reveals the identity of any individual plan participant.

3. All claims are to be filed, and all inquiries are to be handled, directly with the Third Party Administrator. All employees of the Third Party Administrator shall execute a non-disclosure statement to protect the identity of the plan participants.
4. Only Board of Trustee members and necessary SHIF professionals shall participate in any closed session discussion of claims. These claims discussions, whether general or specific to a coverage dispute, shall at all times be confidential and anonymous so that the identity of the board of education and/or claimant cannot be ascertained. When necessary, as in a specific claim dispute, the anonymity of the claimant shall be accomplished by assigning a blind claim number and deleting all references to the individual's name and place of employment. The claimant may demand that the matter be handled with disclosure of his identity by so indicating in writing to the Board of Trustees.
5. Documents identifying the employee, or from which the employee's identity might be deduced, shall not be accessible to any persons other than the Third Party Administrator, Program Manager, SHIF Attorney, or duly appointed claim auditors when such records are needed to verify the accuracy of claim data as part of an audit.
6. Any person having access to claim information must sign a written non-disclosure statement.

G. Disputed Claims Appeal Procedures

1. If the plan participant is dissatisfied with the determination of the claim processor, the plan participant may appeal in writing the processor's determination to the TPA's Services Management Review Team, who shall notify the plan participant in writing of their determination. The plan participant shall, at that time, be advised that the determination may be appealed to the SHIF's Board of Trustees and that, at the plan participant's written request, the appeal may be made with the identity of the plan participant revealed. The plan participant's identity shall be revealed only upon the written request of the participant. A copy of this communication with the plan participant's name shall be sent to the Program Manager.
2. The plan participant may appeal an adverse determination concerning a claim to the Board of Trustees by forwarding a copy of the determination letter issued by TPA to the Program Manager, who shall review the same and make a determination whether it is eligible for the External Appeal process set forth under the SHIF Risk Management Plan. The plan participant shall be promptly notified if the External Appeal process applies and if an Independent Review Officer will be appointed or, if not, the reason for such determination. Prior to distribution of any writing concerning this appeal, all reference to the plan participant or the board of education shall be stricken. .

3. If the plan participant is dissatisfied with the determination of the independent review officer, the plan participant may exercise any remedies provided by law.

Article XIV
COMPLAINT HANDLING PROCEDURES
(Other Than Disputed Claims)

- A. Whenever any interested party shall submit a complaint in writing to the SHIF, the Administrator or any member of the SHIF, a copy thereof shall be forthwith communicated to the Board of Trustees for consideration at their next regularly scheduled meeting, unless the complaint is received seven (7) business days or fewer prior to the next meeting, in which case it shall be considered at the next ensuing meeting.
- B. At said meeting, the Board of Trustees shall consider the complaint, and by recorded vote take such action as might be appropriate.
- C. The complaining party, through the Executive Director, shall receive written notice of the Board of Trustees' findings. The written notice to the complaining party may, where appropriate, include an opportunity for the complaining party to have a hearing concerning its complaint before the Board of Trustees.
- D. The SHIF shall keep a separate record of each complaint. This record shall indicate the total number of complaints, their classification by line of insurance, the nature of each complaint, the disposition of each complaint, and the time it took to process each complaint.
- E. For purposes of this article "complaint" means any written communication primarily expressing a grievance.
- F. Confidentiality -
 1. As mandated by New Jersey Law, all employee complaint information is privileged and confidential and shall not be included as a part of any open public record.
 2. SHIF Trustees and officials of the member board of education shall not have access to any employee complaint information which reveals the identity of any individual plan participant.
 3. All complaints are to be filed, and all inquiries are to be handled, directly with the Administrator. All employees of the Administrator shall execute a non-disclosure statement to protect the identity of plan participants.
 4. Only Board of Trustee members and necessary SHIF Professionals shall participate in any closed session discussion of complaints. These complaint discussions, whether

general or specific, shall at all times be confidential and anonymous so that the identity of the board of education and/or complaining employee cannot be ascertained. When necessary, the anonymity of the complaining employee shall be accomplished by assigning a blind complaint number and deleting all references to the individual's name and place of employment. The complaining employee may demand that the matter be handled with disclosure of his identity by so indicating in writing to the Board of Trustees.

5. Documents identifying the employee, of from which the employee's identity might be deduced, shall not be accessible to any persons other than the Administrator, or SHIF Attorney.
6. Any person having access to complaint information must sign a written non-disclosure statement.

Article XV OTHER CONDITIONS

- A. **Inspection and Audit:** The SHIF shall be permitted, but not obligated, to inspect, at any reasonable time, the workplaces and operations of each SHIF member. Neither the right to make inspections, nor the making thereof, nor any report thereon, shall constitute an undertaking on behalf of, or for the benefit of, the member board of education or others, to determine or warrant that such workplaces or operations are safe or healthful or are in compliance with any law, rule or regulation.

The SHIF shall be permitted to examine and audit the member board of education's payroll records, general ledger, disbursements, vouchers, contracts, tax reports and all other books, documents and records at any reasonable time as far as they show or tend to show or verify the amount of remuneration or other premium basis, or relate to the subject matter of the SHIF.

- B. **Notice of Claim or Suit:** If claim is made or formal petition or a suit or other proceedings are brought against a member board of education, the member board of education shall immediately forward to the SHIF every demand, notice, summons, or other process received by it or its representative.
- C. **Assistance and Cooperation of the Member Board of education:** The member boards of education shall cooperate with the SHIF, and upon the SHIF's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits or proceedings. The member boards of education shall not, except at their own cost, voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and other services at the time of injury as are required by law.

- D. **Action Against SHIF:** No action shall lie against the SHIF unless, as a condition precedent

thereto, the member board of education shall have fully complied with all the terms of these Bylaws, nor until the amount of the member board of education's obligation to pay shall have been finally determined either by judgment against the member board of education after actual trial or by written agreement of the member board of education, the claimant and the SHIF. Any person or organization or the legal representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recover under these Bylaws to the extent of the protection afforded herein. Nothing contained in these Bylaws shall give any person or organization any rights to join the SHIF as a co-defendant in any action against the member board of education to determine the member board of education's liability.

Bankruptcy or insolvency of the member board of education shall not relieve the SHIF of any of its obligations.

- E. Subrogation: In the event of any payment under these Bylaws, the SHIF shall be subrogated to all rights of recovery therefore of the member board of education and any person entitled to the benefits of these Bylaws against any person or organization and the member board of education shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The member board of education shall do nothing after loss to prejudice such rights.
- F. Conformance With Statute: In the event any portion of these Bylaws conflict with any statute or administrative regulation covering joint insurance funds, the provision of any such regulation shall control to the extent it conflicts.