

NORTH JERSEY MUNICIPAL EMPLOYEE BENEFITS FUND

BYLAWS

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Park 80 West, Plaza One
Saddle Brook, New Jersey 07663

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Approved Draft dated October 15, 1993

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WHEREAS, N.J.S.A. 40A: 10-36 et. seq. authorizes two or more local units to join together for the purpose of providing contributory and non-contributory group health and term life insurance to employees or their dependants of member local units;

WHEREAS, The North Jersey Municipal Employee Benefits Fund was established effective January 1, 1993 pursuant to said statutes, and

WHEREAS, the fund desires to restate and amend its bylaws to make certain changes deemed appropriate by member local units of the Fund to reflect amendments in the applicable laws and regulations enacted subsequent to the initial adoption of these bylaws.

NOW THEREFORE, the membership of the Fund hereby adopts the following bylaws:

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" or **"EXECUTIVE DIRECTOR"** means a person, partnership, corporation or other legal entity engaged by the Fund or Executive Committee to act as Executive Director, to carry out the policies established by the Fund or executive committee and to otherwise administer and provide day-to-day management of the Fund.

"CHAIRMAN" means the chairman of the Fund commissioners elected by the commissioners pursuant to *N.J.S.A. 40A:10-37*.

“COMMISSIONER” means the Commissioner of the Department of Banking and Insurance

“DEPARTMENT” means the Department of Banking and Insurance.

"DEPENDENT" means dependent as defined pursuant to N.J.S.A. 40A:10-16.

"EXECUTIVE COMMITTEE" means the committee of insurance fund commissioners, as provided in N.J.S.A. 40A:10-37 et seq.

"FUND" means the North Jersey Municipal Employee Benefits Fund.

"FUND YEAR" means the Fund's fiscal year of January 1st through December 31st.

"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 members of the 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 Fund. The agreement shall specify the extent of the local unit’s participation in the Fund with respect to the types of coverage to be provided by the Fund and shall include the duration of Fund membership which shall not exceed three years pursuant to N.J.S.A. 40A:11-15 (6). The agreement shall also specify that the member has never defaulted on claims if self-insured and, if not self-insured, has not been canceled for non-payment of insurance premiums for a period of at least two years prior to application to the Fund.

"JOINT INSURANCE FUND" or "FUND" means a group established by two or more local units of government to create a self-insurance fund for the sole purpose of providing contributory or non-contributory group health insurance or group term life insurance to their employees or dependants and to any other person eligible for coverage by a member local unit pursuant to law, approved by the Department pursuant to *N.J.S.A. 40A:10-36* et seq. and this subchapter.

“INSURANCE FUND COMMISSIONERS” or “FUND COMMISSIONERS” means local unit representatives chosen to represent those units in the fund, as provided in *N.J.S.A. 40A:10-36* et seq.

“LIFE INSURANCE” means life insurance as defined pursuant to N.J.S.A. 17B:117-3

"MEMBER" means a local unit which is a member of a local unit joint insurance fund formed pursuant to this subchapter.

NET CURRENT SURPLUS” or **“SURPLUS”** means the excess of the Fund’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.

“SERVICING ORGANIZATION” also referred to as **“SERVICE PROVIDER”** or **“PROGRAM MANAGER”** means an individual, partnership, association or corporation, other than the Administrator, that has contracted with the Fund to provide, on the Fund's behalf, any functions as designated by the Fund Commissioners including, but not limited to, actuarial services, claims administration, cost containment services, legal services, auditing services, financial services, compilation and maintenance of the Fund'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 Fund for stop-loss or reinsurance from an insurer, member assessment and fee development, report preparation pursuant to N.J.S.A. 40A:10-36 et. seq. or N.J.A.C. 11:15-3.1 et. seq. this and such other duties as designated by the Fund.

“STOP-LOSS INSURANCE” or **“REINSURANCE”** means insurance, purchased from an insurer or other entity authorized or admitted to provide such coverage in the State of New Jersey, covering losses in excess of an amount established between the 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.

Article II MEMBERSHIP

A. Membership Applications

1. Any local unit that desires to become a member of the Fund shall submit an application for membership to the Fund on a form acceptable to the Commissioner. The application shall include a copy of the resolution of participation and an executed Indemnity and Trust Agreement and such other documentation is may be required by the Fund.
2. An application may be approved by a two-thirds vote of the full authorized membership of the Executive Committee if the applicant's claims experience, plan design and personnel practices are compatible with the Fund's objectives and the applicant meets other criteria established by the Fund.
3. Within 15 days of its approval by the Fund, the executed Indemnity and Trust Agreement and the resolution required under Section A (1) above shall be concurrently filed with the Department and the Department of Community Affairs. 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 information required by N.J.A.C. 11:15-3.9(b) inclusive of: the name and address of the new member; the effective date of coverage; the name of the new member's insurance fund commissioner and alternate in accordance with N.J.A.C. 11:15-3.6(e); amendments to the Fund'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 local unit is not approved for membership, the Fund shall set forth in writing the reasons for disapproval and send the reasons for disapproval to the non-member local unit. The Fund shall retain a copy of all disapprovals for five (5) years.
5. Pursuant to N.J.S.A. 40A: 10-36, the governing body of a local unit shall by resolution agree to join the Fund. The resolution shall provide for execution of a written agreement specifically providing for acceptance of the Fund's Bylaws as approved and adopted pursuant to N.J.S.A. 40A: 10-36 et seq. The resolution shall also provide for the execution of an Indemnity and Trust agreement as defined in Article I and shall specify the extent of the local unit's participation in the Fund with respect to the types of insurance coverage to be provided by the Fund and shall include the duration of Fund membership.

B. Membership Renewals

1. Members may renew their participation by the execution of a new agreement to rejoin the Fund. If the existing resolution did not specify the duration of Fund membership, the member shall affirm the new membership agreement by resolution. If the existing resolution specified the duration for Fund membership, the member shall either amend the existing resolution, or adopt a new resolution, as appropriate, to authorize the continued participation in the Fund prior to the execution of the new membership agreement. In lieu of filing copies of the new agreement and new indemnity and trust agreement referred to in *N.J.A.C. 11:15-3.6(b)6* for each member's renewal of membership, the Fund shall file a notice with the Department which sets forth the members that have renewed membership and the respective durations of such membership, as well as the members that have not rejoined. Members shall notify the Fund 90 days prior to the expiration of the term of their membership if the member does not desire to continue as a member of the Fund.
2. The Executive Committee 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 Executive Committee 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 Fund shall comply with subsection C.2, 3 and 4 below.
5. Non-renewal of a member does not relieve the member of responsibility for claims incurred by the Fund during its period of membership.

D. Termination and/or Withdrawal of Fund Members

1. A participating local unit may be terminated before the end of its membership by a two-thirds (2/3) vote of the Executive Committee. Termination may occur for non-payment of assessments or continued non-compliance, after written notice to comply 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 local unit shall not be deemed terminated until:
 - a. The Fund gives 30 days written notice to the member, by registered or certified mail return receipt requested of its intention to terminate the member, and shall state the reasons for the termination.
 - b. Like notice shall be filed with the Department and Department of Community Affairs, 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 local unit may withdraw from the Fund before the end of its membership term by sending written notice of its intent to withdraw to the Fund accompanied by a certified copy of the resolution adopted by the local unit's governing body authorizing the withdrawal. The Fund shall adopt a standard withdrawal resolution, satisfactory to the Commissioner, and the local unit shall use this standard withdrawal resolution. Written notice of the intent to withdraw must be received by the Fund at least ninety (90) days before the date of withdrawal.
3. A member of the Fund that does not desire to continue as a member after the expiration of its membership term shall give written notice of its intent to withdraw ninety (90) days before the expiration of the term period. The Fund shall immediately notify the Department and the Department of Community Affairs of all members that have given notice of their intent to withdraw from the Fund.

4. A member that has been terminated or does not continue as a member of the Fund 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 Fund 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 Fund's current fiscal year, the Fund shall provide written notification to a member that has been terminated by or withdrawn from the Fund, of the estimated surplus or estimated supplemental assessment for which the member may share or be liable pursuant to 4 above.
6. The Fund shall immediately notify the Department and the Department of Community Affairs if the termination or withdrawal of a member causes the Fund to fail to meet any of the requirements of N.J.S.A. 40A: 10-36 et seq. or N.J.A.C. 11:15-3.1 et seq. Within fifteen (15) days of such notice, the Fund shall advise the Department and the Department of Community Affairs of its plan to bring the Fund into compliance.
7. A Fund member is not relieved of the claims incurred during its period of membership except through payment by the Fund or member of those claims.
8. The Fund shall only cover claims received by a member local unit's active employees, retirees, and individuals covered under COBRA and conversion options during the period the local unit was a member of the Fund.

Article III

ORGANIZATION

A. Commissioners

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

rotating basis determined alphabetically.

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

2. Terms of Office and Vacancy:

- a. All terms of office shall expire on January 1st or, if later, the date on which 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 local unit 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 January 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 local unit at any time without cause.
- c. The unexpired term of a Commissioner shall be filled by the appointing local unit in the manner generally prescribed by law or as provided in its bylaws.
- d. Any Fund Commissioner can be removed from office for cause by two-thirds (2/3) vote of the full membership of the Fund Commissioners. Upon such a vote it shall be incumbent upon the member local unit to replace the Commissioner.

3. Responsibilities:

- a. The Commissioners are hereby authorized and empowered to operate the Fund 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 Fund 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 Fund from their own membership. Fund officers shall serve until January 1st of the following year, or until a successor is duly elected and qualified.

- a. Chairperson: The Chairperson shall preside at all meetings of the Fund Commissioners and Executive Committee 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, maintain minutes of the meetings, and retain all books, records, files, other documents of the Fund, and these Bylaws and shall perform such other duties as provided for in these bylaws and the laws and regulations of the State of New Jersey. The Secretary shall maintain the books and records of the Fund at the office of the Fund as from time to time designated by the Fund Commissioners, to which office the Secretary shall have free access.
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 Executive Committee 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 Executive Committee, or otherwise the longest serving Fund Commissioner 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 Fund Commissioners. In this event, the full membership of the Fund Commissioners shall fill the vacancy for the unexpired term.

C. Executive Committee

1. As soon as possible after the beginning of the year, the Fund Commissioners shall meet and elect Fund Commissioners to serve on the Executive Committee along with the Chairperson and Secretary. The total number of members on the Executive committee shall not exceed number of members plus one if the membership is an even number. If the total number of members exceeds seven (7), the Fund Commissioners shall elect an Executive committee comprised of five (5) Commissioners to serve with the Chairperson and the Secretary. During their term of office, members of the Executive Committee shall exercise the full power and authority of the Fund Commissioners except as otherwise provided in these bylaws.
2. The Executive Committee shall serve co-terminously with their underlying office until January 1st of the following year, or until their successors are duly elected and qualified.
3. The Fund Commissioners shall also elect four (4) Commissioners to serve as alternate members of the Executive Committee. The alternate, or alternates, serving in the

absence of a member, or members, of the Executive Committee shall exercise the full power and authority of that absent member or members.

- a. Alternates shall serve in established priority order, designated as alternate #1, alternate #2, alternate #3 and alternate #4. 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 #4. One or more alternates starting with alternates #1 and #2 shall serve in the absence of two or more Executive Committee members.
4. In the event of a vacancy on the Executive Committee caused by a reason other than the expiration of the term of office, the Executive Committee shall by a majority vote fill the vacancy for the unexpired term. In the event the Executive Committee fails to fill the vacancy, the Fund Commissioners shall fill the vacancy
5. The Executive Committee shall oversee the Fund Professionals and the operation of the Fund to assure compliance with these Bylaws and applicable rules and regulations.
6. Any member of the Executive Committee can be removed from office for cause by two-thirds (2/3) vote of the full membership of the Fund Commissioners. Upon such a vote it shall be incumbent upon the Fund Commissioners to elect a replacement.
7. The members of the Executive Committee may elect to pay themselves a fee for attending Executive Committee meetings in an amount not to exceed that amount authorized by applicable State law.

D. Fund Professionals

As soon as possible after the beginning of each year, the Executive Committee 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 of the Fund. All professionals shall be retained pursuant to the "Local Public Contracts Law."

1. Treasurer: The Treasurer shall be a Certified Municipal Finance Officer and shall have the following duties and responsibilities:
 - a. The Treasurer shall be the custodian of the Fund'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 Fund'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 Executive Committee in its manual of operations and to discharge the duties of the office as set forth in N.J.S.A. 40A: 10-36 et seq. and N.J.A.C. 11:15-3.1 et seq.
- f. The Treasurer shall be covered by a fidelity bond protecting the Fund's assets in a form and amount to be determined annually by the Fund. Said bond shall be paid by the Fund.

2. Executive Director/Administrator:

- a. The Administrator shall serve as Executive Director of the Fund 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 Fund and shall otherwise administer and provide for day-to-day management of the Fund.
 - i. Prepare for approval of the Executive Committee and implement the Fund's operations manual and policy procedures manual.
 - ii. Prepare the Fund's budget, compile and bill the monthly assessments.
 - iii. Maintain the Fund's underwriting files including census data, prepare new member submissions for review by the Executive Committee, and supply underwriting data to other Fund professionals as needed.
 - iv. Maintain the Fund's general ledger, accounts payable and accounts receivable functions.
 - v. Coordinate the Fund's meeting agendas, minutes, elections, contracts as well as maintain the Fund's official records and office.
 - vi. Prepare all filings required by state regulators.

- vii. Attend all meetings of the Fund.
 - viii. Perform such other duties specified by the Fund in its manual of operations pertaining to the Executive Director.
 - ix. Assume overall Executive responsibility for the operations of the Fund except that the administrator shall not be responsible for the errors and omissions of any other Servicing Organization with the directives of the Fund, 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 Fund, 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 Commissioner. The Administrator shall also be covered by Errors and Omissions insurance as provided by N.J.A.C. 11:15 3.6(e)7 and/or supplements or amendments pertaining thereto. Said coverage is to be paid for by the Fund.

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 Fund in accordance with GAAP, N.J.S.A. 40A: 10-46 and N.J.A.C. 11:15-3.24 and shall perform such other duties as provided by the Fund, 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 Fund on legal matters and the appropriateness of claim settlements recommended by the Claims Administrator.
- b. The Attorney shall be available to assist the member local units through their attorneys in negotiation with bargaining units concerning benefit plan designs, coverage, etc.
- c. The Attorney shall advise the Fund on the selection of outside counsel to represent the Fund when appropriate.
- d. The Attorney shall perform such other duties as provided for by the Fund, these Bylaws and the laws and regulations of the state of New Jersey including the representation of the Fund in legal proceedings where applicable.

5. Actuary:

The Actuary shall certify the actuarial soundness of the Fund and shall report to the Fund Commissioners/Executive Committee in a manner and at such times established by them and shall provide such actuarial reports as required by the Department. 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 Fund concerning overall trends and developments in employee benefits, along with a statistical analysis of the Fund's claims data to identify trends and potential cost containment strategies.
 - ii. Meet with and advise various subcommittees established by the Fund 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 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 Fund, secure these services and/or reinsurance in compliance with the "local Public Contracts Law."
 - iv. Twice a year, prepare a written report to the Fund and the Executive Director concerning the compliance of the various Service Providers listed in Paragraph 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 local units 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 Fund and the Executive Director and shall deliver the Program Manager's complaint log at the end of each quarter to the Executive Director for inclusion in the Fund's official records. The Program Manager shall also prepare a written recommendation to the Fund of disputed claims, which are referred to the Fund 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 local units to explain benefit issues as requested.
- (c) Advise member local units concerning plan design changes, present such changes to the Fund for approval in accordance with the Fund'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 local units and other Fund professionals.

vi. Identify local units which may qualify for membership, be available to discuss the Fund with potential members, assist in the preparation of applications, review the new member submissions prepared by the Executive Director and coordinate the filed level implementation of the program in the event the local unit is accepted for membership by the Executive Committee.

vii. Attend all meetings of the Fund.

viii. Perform such other duties as may be reasonably requested by the Fund.

- c. The Program Manager shall be bonded in a form and amount acceptable to the Commissioner. 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 Fund and submitted to the Commissioner and the Department of Community Affairs.

8. The Fund 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 Fund'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 Executive Committee, in its discretion may, but shall not be required to, have the Auditor, Treasurer, Fund 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 Fund shall indemnify any past, present or future Fund Commissioner, and may indemnify such other officials or professionals or Service Providers as the Executive Committee determines, for claims arising from an act or omission of such Fund Commissioner, official or employee within the scope of the performance of such individual's duties as Fund Commissioner, official or employee. Such indemnification shall include the reasonable costs and expenses incurred in defending such claims. Nothing contained herein shall require the Fund to pay punitive damages or exemplary damages arising from the commission of a crime by such an individual and the Fund 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 Fund Commissioner, official or employee is either covered, or required to be covered, by Errors and Omissions liability insurance. The determination as to whether an individual's conduct falls within any of the above exceptions shall be made by the Executive Committee. 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 and Omissions insurance if same had been required of said employee or appointed officials.
4. A present, past or future Fund Commissioner, official or employee of the Fund shall not be entitled to a defense or indemnification from the Fund 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 Fund Chairman with a copy to the Fund attorney, selected by the Fund to handle such matters, together with a request that the Fund provide for his or her defense; and

- b. In the event the Fund 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 Fund to handle such matters, the past, present or future Fund Commissioner, official or employee shall agree that the Fund 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 Fund Commissioner, 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 Fund shall be in addition to and not in restriction or limitation of any other privilege or power which the Fund may lawfully exercise with respect to the indemnification or reimbursement of any Fund Commissioner, official or employee; except that in no event shall a Fund Commissioner, 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 Fund Commissioner, official or employee in defending an action, suit or proceeding may be paid by the Fund in advance of final determination of such action, suit or proceeding as authorized by the Fund 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 FUND

A. General Operation

- 1. The Fund 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 Local Public Contracts Law" (N.J.S.A. 40A:11-1 et. seq.), and regulations (including but not limited to N.J.A.C. 5:34) 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 Fund shall be considered a local unit for purposes of the "Local Public Contracts Law" (N.J.S.A. 40A:11-1 et. seq.) and shall be governed by the provisions of that law in

the purchase of any goods, materials, supplies and services.

3. The Fund shall be operated with sufficient aggregate financial strength and liquidity to assure that all obligations will be promptly met. The Fund shall prepare a financial statement on a form acceptable to the Commissioner showing the financial ability of the Fund to meet its obligations. In consultation with the Fund Actuary, the Fund 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 Executive Committee (or the Fund Commissioners as a whole) may request that the Commissioner order an examination of any Fund member which the Fund Commissioners or Executive Committee, if any, in good faith believes may be in a financial condition detrimental to other Fund members or to the public.
4. All monies, assessments, funds and other assets of the Fund shall be under the exclusive control of the Executive Committee.
5. The Fund shall adopt a resolution designating its fiscal year as January 1 through December 31st.
6. The Fund 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 Fund 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 Certified Municipal Finance Officer certificate issued pursuant to N.J.S.A. 40A:9-140.2. The custodian shall quarterly report to the Fund on investment and interest income.
7. All books, records, files, documents and equipment of the joint insurance fund are the property of the Fund and, except as provided at N.J.A.C. 11:15-2.21(e), shall be retained by the Administrator at the discretion of the Fund Commissioners/Executive Committee in accordance with a record retention program adopted by the Fund. All books, records, files and documents of the Fund shall be retained for not less than five years. The Fund shall also retain claims information as per N.J.A.C. 11:15-2.4(g).

B. Risk Management Plan

1. The Executive Committee shall prepare or cause to be prepared a plan of Risk Management for the Fund pursuant to N.J.A.C. 11:15-3.6(d). The Risk Management Plan shall be adopted by resolution of the Executive Committee.
2. The Risk Management Plan and all amendments must be approved by the Commissioner and the Commissioner of the Department of Community Affairs before taking effect.

C. Servicing Organizations

1. The Fund 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. 40A:10-36 et seq. and N.J.A.C. 11:15-3.1 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 Fund Commissioners/Executive Committee may deem necessary to properly manage the Fund.
2. No Servicing Organization, or Program Manager, or producer appointed by the Fund pursuant to N.J.A.C. 11:15-3.6(e)15, or their employees, officers or directors shall have either a direct or indirect financial interest in an Administrator of the Fund be an employee, officer or director of an Administrator unless written notice of such interest has been provided to the Fund Commissioners 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 Fund pursuant to N.J.A.C. 11:15-3.6(e)15, unless written notice of such interest has been provided to the Fund Commissioners and members.
3. Each service contract shall include a clause stating "unless the Fund Commissioners 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 Fund, 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 Fund Chairperson.

D. Financial Statement and Reports

1. The Fund shall provide its members with periodic reports covering the activities and status of the Fund for the reporting period. The reports shall be made at least quarterly and may be made more frequently at the discretion of the Executive Committee and shall include, but not be limited to, the minutes, the Administrator's report and a summation of Fund activity, including comments on previously reported claims and newly reported claims, and any other information required by the Fund Commissioners. 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 Fund, filed with the Department and the Department of Community Affairs, and made available to each Fund member not later than one hundred twenty (120) days after the end of the year. The report shall be accompanied by:
 - a. An annual audited statement of the financial condition of the Fund prepared by the Auditor and performed in accordance with generally accepted accounting principles and N.J.S.A. 40A:10-46, which shall include a statement of the organization of the fund, including its balance sheet and receipts and disbursements for the proceeding 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 a qualified actuary.
 - c. Reports of all incurred but not reported liabilities certified by a qualified 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 Fund 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. 11:15-3.24.

E. Coverages

The Fund shall offer health insurance coverages to the members. Upon a majority vote of the Fund Commissioners, and the approval of the Commissioner, the Fund may also offer other employee benefits permitted pursuant to N.J.S.A. 40A:10-36, et. seq. At least thirty (30) days prior to the beginning of each Fund Year renewal, the Fund shall notify the Commissioner of any changes in coverage and benefit levels as may be determined and specified by the Fund and its members along with copies of written notice to affected persons.

Article V MEETING AND RULES OF ORDER

A. Meetings

1. Annual Organization Meeting: As soon as possible after the beginning of the year, the Fund Commissioners shall meet to elect officers and Executive Committee, if any, 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 local units at least two (2) weeks in advance.
2. Regular Meeting: The Fund Commissioners/Executive Committee shall establish a schedule of regular meetings to conduct the business of the Fund, which shall be at least quarterly. All Fund Commissioners may attend open or closed sessions of the Executive Committee, subject to the provisions of Article XIII, F (4) hereof concerning confidentially and the claims handling procedure.
3. Special Meeting: The Chairperson, or three (3) Fund Commissioners may call a special meeting by notifying the Secretary at least three (3) days in advance. The Secretary shall notify the Fund Commissioners (or members of the Executive Committee) 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 local unit using the following order: Member's Clerk, Business Administrator.
4. Quorum: The quorum for a meeting of Fund Commissioners shall be as follows:

- a. A majority of the total Fund Commissioners unless the total number exceeds 25.
 - b. If the total number of Fund 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 Executive Committee meetings shall be four, including the Chairperson, Secretary and alternates.
6. Whenever an election is required, the Fund Chairperson may cause a paper ballot to be mailed to each Fund 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 Fund 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 Fund Commissioner 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 Fund Commissioners of the hearing date and shall send all Fund Commissioners a copy of the proposed amendment.
3. The amendment is adopted by the Fund when the governing bodies of three-fourths (3/4) of the member local units 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 member local units, the Secretary shall notify the members that time has expired for the adoption of the amendment.
4. If adopted, the amendment shall not take effect until approved by the Commissioner and

the Department of Community Affairs.

5. Within ninety (90) days after the effective date of any amendment to the Bylaws, a member local unit that did not approve the amendment may withdraw from the Fund provided it shall remain liable for its share of any claims or expenses incurred by the Fund 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 Fund's subsequent fiscal year, the Fund 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 November 30th of each year, the Executive Committee shall adopt by majority vote the budget for the Fund's operation for the coming fiscal year.
2. A copy of the Fund's proposed budget shall be sent to each participating local unit 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 local units 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 local unit, the Commissioner and the Department of Community Affairs.
4. An adopted budget may be amended by majority vote of the Executive Committee after giving the participating local units two (2) weeks' written notice and conducting a hearing on the proposed amendment.
5. A copy of any amendment to the Fund budget shall be filed quarterly with the governing body of each member local unit.

6. A copy of any amendment to the Fund budget shall be filed with the Commissioner and the Commissioner of the Department of Community Affairs within 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 November 1st of each year, the Actuary and the Executive Director shall prepare for review by the Executive Committee monthly per capita assessment rates by line of coverage for each member. The Executive Committee 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 Fund-wide increase plus a percentage specified by the Executive Committee. Each member's monthly assessment per capita rates shall be certified by majority vote of the Executive Committee to the governing body of each participating local unit at least one (1) month prior to the beginning of the next fiscal quarter. For budget purposes, the Fund will also compute and communicate each member local unit's maximum cost based on the Fund'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 it's latest employee census. Whenever a change in a member's plan design is approved, the Executive Committee 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 Fund Account by Fund Year.
3. In the event the Fund directly bills retirees, and individuals covered pursuant to COBRA and conversion options, the member local unit shall be assessed for any delinquency in said payments.

B. Supplemental Assessments

1. The Executive Committee shall by majority vote levy on the participating local units additional assessments, whenever needed or so ordered by the Commissioner, to supplement the Fund's Claim Loss Retention or Administrative Accounts to assure the payment of the Fund's obligations. No retiree, or individual billed directly by the Fund for coverage under COBRA or conversion options shall be subject to supplemental assessment and any such deficits shall be assessed to the appropriate member local units.
2. All supplemental assessments shall be charged to the participating member local units by applicable Fund year, and shall be apportioned by that year's assessments for that line of coverage.
3. All local units shall be given thirty (30) days advance written notice of the Fund's intention to charge an additional assessment, and the Fund shall conduct a hearing before adopting the supplemental assessment.
4. Local units shall have thirty (30) days to pay the Fund from the due date established by the Executive Committee at the time any supplemental assessment is adopted. Whenever possible, the due date shall be no sooner than the beginning of the Fund's next fiscal year.
5. The Fund shall submit to the Commissioner and the Department of Community Affairs 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 Fund fail or refuse to pay its assessments or supplemental assessments, or should the Fund 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 Fund's assets shall notify the Commissioner and the Commissioner of Community Affairs. Past due assessments shall bear interest at the rate of interest established annually by the Executive Committee. The Fund Attorney or other attorney selected by the Executive Committee 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 Fund shall also be entitled to collect its costs incurred including reasonable attorneys' fees.

D. Insolvency and/or Bankruptcy of Fund Members

Insolvency or bankruptcy of a member does not release the Fund, 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 Fund Year in excess of the amount necessary to fund all obligations for that Fund Year as certified by an actuary, may be declared to be refundable by the Fund in accordance with the regulations promulgated by the Department. No retiree or other individual directly billed by the Fund for coverage including COBRA and conversion shall be eligible for refunds.
- B. A refund for any Fund Year shall be paid only proportion to the member's participation in the Fund for such year. Payment of a refund for a year is not contingent on the member's continued membership in the Fund after that year.
- C. The Fund may apply a refund to any arrearage owed by the member to the Fund. Otherwise, at the option of the member, the refund may be retained by the Fund and applied toward the member's next assessment.
- D. The Executive Committee may appropriate a portion of any refund with the appropriate contingency account subject to the provision of N.J.A.C. 11:15-3.13(b).

Article IX STOP-LOSS INSURANCE AND/OR REINSURANCE

- A. Where self-insured, the Fund 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 Executive Committee, it would be in the best interest of the Fund not to carry such specific and/or aggregate insurance or reinsurance, and if the Fund's actuary certifies that the retention is in accordance with sound actuarial principles, the Executive Committee may apply to the Commissioner for a waiver of the requirements of N.J.A.C. 11:15-3.23.
- 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 and the Commissioner of the Department of Community Affairs.
- 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 and the Department of Community Affairs 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 Fund 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 Fund and shall authorize the custodian to invest temporarily free balances of any claim or administrative accounts periodically as authorized by law.
2. The Fund shall establish a separate Fund Trust Account in accordance with N.J.A.C. 11:15-3.6(b)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. 11:15-3, 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 Fund directly bills retirees, individuals covered under COBRA or conversion options, or other employee contributions, the Fund 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 Fund shall not be subject to supplemental assessment and/or refunds.
3. The Fund shall establish an Administrative Account, which shall be used for payment of the Fund's general operating expenses, cost containment activities, data processing services and general legal expenses.
4. The Fund 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. 11:15-3.13 (b).
- b. The Fund shall maintain accounting records on contingency accounts by Fund 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 Fund Year;
 - iii. Interest earned, which shall be allocated by the average balance in the contingency account by Fund Year; and
 - iv. The pro rata share of each member local unit allocable to each member.
- c. In the event a member local unit withdraws or is terminated from the Fund, the Fund shall return to the members its share of the contingency account within the time period provided for in N.J.A.C. 11:15-3.20.

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 Fund's cash management plan and consistent with the statutes and rules governing the investment of public funds by local governments and pursuant to N.J.S.A. 40A:10-10(b).
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 Fund 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 and the Commissioner of Community Affairs, the Fund 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 Fund'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 Fund's Commissioners/Executive Committee.
3. Notwithstanding subsections 1 and 2 above, the Fund may provide for the expeditious resolution of certain claims by designating the Fund's Administrator or Service Organization as "certifying and approving officer" pursuant to N.J.S.A. 40A:5-17. The Fund 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 Fund shall establish such other procedures and restrictions on the exercise of this authority, as the Fund 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 Fund'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 Executive Committee at their next scheduled meeting. If any claim approved and paid by the certifying approving officer is not approved by the Executive Committee, 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 Fund having knowledge of the facts that the goods have been received by or the services rendered to the Fund. In the case of claims or losses to be charged against any loss fund, the Fund'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 Fund Commissioners/Executive Committee.
8. All claims and other disbursements approved for payment by the Fund shall be recorded in a claims register retained by the custodian of the Fund's assets.

Article XI

CONFLICT OF INTEREST

All officials or employees of a participating local unit or any members of the family of such officials or employees shall comply with N.J.S.A. 40A:9-22.1 et seq. (the "Local Governmental Ethics Laws").

Article XII

VOLUNTARY DISSOLUTION OF THE FUND

- A. If the Executive Committee deems it in the best interest of the members to dissolve the Fund, 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 Fund and its members, including all incurred, but not reported, losses, as certified by an actuary, before any assets of the Fund or the Trust Fund Accounts may be used for any other purposes. The plan of dissolution shall also contain a statement of the Fund'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 Fund Commissioners, who shall review the plan and make any appropriate amendments. By majority vote, the Fund Commissioners may recommend to the members that the Fund 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 Fund.
- E. The plan of dissolution, and other such information as may be required, must be filed with, and approved in writing by the Commissioner and the Commissioner of the Department of Community Affairs before the dissolution of the Fund is effective.

Article XIII

CLAIMS HANDLING PROCEDURE

- A. Compliance: The Fund 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. 11:15-3.22.
- B. Registration of Claims: Covered individuals shall submit claims to the Third Party Claims Administrator (TPA) retained by the Fund. 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 Fund not less than quarterly.
- E. Approval of Payments: The Fund shall specify in the contract the TPA's claims payment authority.
- F. Confidentiality:
1. The complaint handling procedure shall provide for the confidentiality of the claimant's identity as required by N.J.A.C. 11:15-3.22. All Employee claims information is privileged and confidential and shall not be included as a part of any open public record.
 2. Fund Commissioners and the officials of the member local unit 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 Executive Committee members and necessary Fund 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 local unit 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 Executive Committee.
 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, Fund 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 Fund's Executive Committee 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 Executive Committee by forwarding a copy of the determination letter issued by TPA to the Program Manager, who shall place it on the agenda for a closed session discussion at the next regularly scheduled meeting of the Fund, unless the appeal is received seven (7) business days or fewer prior to the next meeting, in which case it shall be placed on the ensuing meeting agenda. Prior to distribution of any writing concerning this appeal, all reference to the plan participant or the Town shall be stricken. The Program Manager shall review the claim and make a written recommendation to the Executive Committee prior to their deliberation regarding same. Whenever practical, the Executive Committee shall render its decision upon conclusion of the discussion at the appeal meeting, and if the plan participant is not present, advise the plan participant in writing of the determination and the reasons therefore within five (5) days.
3. If the plan participant is dissatisfied with the Executive Committee's determination, the plan participant may appeal this determination to the independent appeal organization designated by the Fund annually for a non-binding determination pursuant to fair, informal procedures adopted from time to time.
4. If the plan participant is dissatisfied with the determination of the independent appeal agency, 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 Fund, the Administrator or any member of the Fund, a copy thereof shall be forthwith communicated to the Executive Committee 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 Executive Committee 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 Executive Committee's 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 Executive Committee.
- D. The Fund 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. The complaint handling procedure shall provide for the confidentiality of the claimant's identity as required by N.J.A.C. 11:15-3.22. All employee complaint information is privileged and confidential and shall not be included as a part of any open public record.
 - 2. Fund Commissioners and officials of the member local unit 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 Executive Committee members and necessary Fund 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 local unit 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 Executive Committee.
 - 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 Fund 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 Fund shall be permitted, but not obligated, to inspect, at any reasonable time, the workplaces and operations of each Fund 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 local unit 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 Fund shall be permitted to examine and audit the member local unit'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 Fund.

- B. **Notice of Claim or Suit:** If claim is made or formal petition or a suit or other proceedings are brought against a member local unit, the member local unit shall immediately forward to the Fund every demand, notice, summons, or other process received by it or its representative.
- C. **Assistance and Cooperation of the Member Local Unit:** The member local unit shall cooperate with the Fund, and upon the Fund'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 local unit shall not, except at his 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 Fund:** No action shall lie against the Fund unless, as a condition precedent thereto, the member local unit shall have fully complied with all the terms of these Bylaws, nor until the amount of the member local unit's obligation to pay shall have been finally determined either by judgment against the member local unit after actual trial or by written agreement of the member local unit, the claimant and the Fund. 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 joint the Fund as a co-defendant in any action against the member local unit to determine the member local unit's liability.

Bankruptcy or insolvency of the member local unit shall not relieve the Fund of any of its obligations.

- E. Subrogation: In the event of any payment under these Bylaws, the Fund shall be subrogated to all rights of recovery therefore of the member local unit and any person entitled to the benefits of these Bylaws against any person or organization and the member local unit shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The member local unit 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.