

**Arizona Metropolitan Trust  
(AzMT)**

**Bylaws**

**Effective:**

July 01, 2012

**Revised:**

October 21, 2015

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## **Section 1. Definitions**

The following are definitions of terms as used in these By-Laws as well as the Trust Agreement. To the extent a term is not specifically defined in these By-Laws, but is defined in the Trust Agreement, the term shall have the meaning given to it in the Trust Agreement.

**1.01 “A.R.S.”** shall mean the Arizona Revised Statutes, as amended.

**1.02 “Beneficiary”** shall mean Employees, their dependents and such other persons designated by the Participating Entities as eligible for coverage as set forth in the Summary Plan Description and approved by the Board.

**1.03 “Benefits Administrator”** shall mean the person(s) or firm employed by the Board who is responsible for processing of claims and payment of benefits, and related services.

**1.04 “Board of Trustees” or “Board”** shall mean the Trustees of the Arizona Metropolitan Trust acting in their joint capacity as the governing board of the Trust.

**1.05 “Employee”** shall mean any person employed by a Participating Entity on a regular basis working not less than the number of hours per week required by the Participating Entities for eligibility, and who are not eligible for benefits under any other employee benefits to which the Participating Entity makes contributions.

**1.06 “Employee Benefit Program”** shall mean the program of benefits to be established by the Board pursuant to this Trust Agreement and A.R.S. § 11-952.01(c).

**1.07 “Employee Contributions”** shall mean any contributions made by Employees whether comprising part of the Entity Premium or whether made directly to the Fund in order to obtain coverage by the Employee Benefit Program.

**1.08 “Entity Contributions”** shall mean the contributions made by Participating Entities comprising all or part of the Entity Premium.

**1.09 “Entity Premium”** shall mean the total monies paid by each Participating Entity to the Fund for the Employee Benefit Program, and shall be equal to the sum of Entity Contributions and Employee Contributions.

**1.10 “Fund”** shall mean the Trust Fund created by this instrument, and shall mean generally, the monies, property, contracts or things of value, tangible or intangible, received and held by the Board for the uses and purposes of the Trust, set forth therein, and those things of value which comprise the corpus and additions to the fund.

**1.11 “Governing Board”** shall mean the policy making board of a Participating Entity duly elected or appointed to their respective positions in accordance with the laws and constitution of

the State of Arizona.

**1.12 “Participating Entities”** shall mean those entities listed in Exhibit A which is attached hereto and incorporated by reference herein, and such additional Participating Entities as may be approved for membership by the Board of Trustees pursuant to Article XIII of this Trust Agreement.

**1.13 “Summary Plan Description”** shall mean the document(s) which generally describe the employee benefits to be provided by the Trust to the Beneficiaries.

**1.14 “Trust”** shall mean the entity established by the Trust Agreement pursuant to A.R.S. § 11-952.01 et seq., which shall be referred to as the Arizona Metropolitan Trust.

**1.15 “Trust Agreement”** shall mean this Agreement and Declaration of Trust dated July 01, 2012 and any modifications or amendments thereto.

**1.16 “Trust Administrator”** shall mean the employee benefit consultant retained by the Trust to carry out the obligations of this Agreement in compliance with Arizona Revised Statute § 11-952.01(H)(5).

**1.17 “Trustee or Trustees”** shall mean the individual Trustees and their successors as provided for in this Trust Agreement.

## **Section 2. Investments**

Investments of Trust cash assets not required for immediate operating expenses may be invested by the Trust, but the investments are to be limited to the following investments:

- A. Government Securities;
- B. State of Arizona Local Government Investment Pool (LGIP); and
- C. Other investments allowable under A.R.S. § 35-323.

Notwithstanding the provisions of this section, each type of investment actually utilized shall be subject to prior approval of the Board of Trustees.

## **Section 3. Expense Reimbursement**

Trustees shall be entitled to receive reimbursement for actual reasonable expenses incurred in carrying out their duties as a Trustee and which are consistent with the Trust Agreement including, but not limited to:

- A. **Meals, Lodging, Air Travel.** Reimbursement for the actual amount of meals, lodging and air travel expenses as evidenced by receipts.

- B. **Automobile Mileage.** Reimbursement for automobile travel expenses at the rate established by the Internal Revenue Service for purpose of travel expense deductions.
- C. **Other Expenses.** Expenses reimbursed under this provision shall be limited to those which would be reimbursable under the policies of the Participating Entity that the Trustee has been appointed to represent.

#### **Section 4. Meetings**

- A. **Open Meeting Laws.** All meetings of the Trust shall comply with the requirements of the Arizona Open Meetings Law.
- B. **Annual Meeting.** The Trust shall designate one of its regular quarterly meetings as the Trust's Annual Organization Meeting for the purpose of selecting officers and to conduct such other business as may be necessary. To the extent possible, the Board of Trustees shall utilize the same quarterly meeting each year as the annual meeting.
- C. **Special Meeting.** The Chairperson may call a special meeting upon seven (7) days notice to Trustees. A special meeting may be also be called by a number of Trustees equal to one less than a majority of the Board. In the event of an emergency, a special meeting may be held with such lesser notice as may be appropriate and otherwise permissible by law. Upon calling a special meeting, the Chairperson or Trust Administrator shall promptly notify all Participating Entities and shall prepare and distribute a written agenda in compliance with the requirements of the Open Meeting Law.

#### **Section 5. Officers**

- A. **Election of Officers.** At the Annual Organization Meeting, there shall be selected from the Board of Trustees of the Trust, a Chairperson and a Vice Chairperson. In addition, the Chairperson shall designate a Recording Secretary. These officers shall have the authority to act in those circumstances and on those matters as specified in the Trust Agreement, in these Bylaws or as otherwise directed by a majority of the Board of Trustees acting in a public meeting.
- B. **Term of Office.** Each officer selected shall serve for a period of one year, and be eligible for re-election for successive terms, or until his/her successor is duly elected and takes office.
- C. **Duties of Officers.** The officers of the Trust shall have the following duties:
  - 1. **Chairperson.** The Chairperson shall preside at all meetings of the Board of Trustees and perform the usual and customary duties of the Chairperson and such other duties as may be prescribed by the Board of Trustees from time to time. The Chairperson, alone or together with such officer or officers as the Board of Trustees may designate by resolution or bylaw, may sign any contracts or other instruments which the Board of

Trustees have authorized to be executed.

2. Vice-Chairperson. The Vice Chairperson will, in the absence of the Chairperson or in the event of the inability or refusal of the Chairperson to act, perform the duties of the Chairperson.
3. Recording Secretary. The Chairperson shall appoint a Recording Secretary who shall keep minutes of all meetings, proceedings and acts of the Board of Trustees, which records shall be available at the Principal Office for inspection by all the Trustees and interested persons during usual business hours. Such records and minutes need not be verbatim. The Recording Secretary need not be a Trustee.

## **Section 6. Audits**

- A. **Mandatory Financial Audit.** The Board of Trustees shall retain the appropriate independent professional to perform an annual financial audit as provided by applicable law and the Trust Agreement. In addition to complying with the requirements imposed by statute and the Trust Agreement, the financial auditor shall perform such additional duties as may be directed by the Board of Trustees.
- B. **Recommended Audits.** In addition to the mandatory audit, the Board of Trustees may conduct the following audits at such intervals as they may determine is in the best interest of the Trust:
  1. Claims Audit. The performance of the Benefits Administrator may be audited to determine whether claims have been paid in accordance with applicable provisions of the Plan Document or to otherwise evaluate the general or specific performance of the Benefits Administrator as deemed appropriate or desirable by the Board of Trustees.
  2. Operational Audit. The Board of Trustees may direct that an independent party conduct an operational audit of the Trust, its individual service providers or any aspect or operation of the Trust.

## **Section 7. Entity Contribution**

- A. **Entity Contribution Payments.** Participating Entity Contribution payments shall be due and payable as of the last business day of each month.
- B. **Entity Contribution Rates.** Contribution rates shall be established annually or at other intervals if determined by the Board of Trustees to be in the best interest of the Trust and its beneficiaries. Rates shall be based upon sound actuarial principles consistent with fiscal stability of the Trust and the interest of the Beneficiaries.
- C. **Past Due Entity Contribution Payments.** Entity Contributions not paid as of the date specified in Paragraph A of this Section shall be subject to the following late payment

process which shall be in addition to any penalties set forth in the Trust Agreement:

- 1<sup>st</sup> Late Payment – Letter of Warning;
- 2<sup>nd</sup> Late Payment – Shall accrue a late payment penalty equal to 0.5% of the Entity's current monthly billing amount;
- 3<sup>rd</sup> Late Payment – Shall accrue a late payment penalty equal to 1.0% of the Entity's current monthly billing amount;
- 4<sup>th</sup> Late Payment – Shall accrue a late payment penalty equal to 1.5% of the Entity's current monthly billing amount;
- 5<sup>th</sup> Late Payment and thereafter – Shall accrue a late payment penalty equal to 2.0% of the Entity's current monthly billing amount.

1. Late Payment Penalty Timing. The late payment penalty shall be added by the Benefits Administrator, or Trust Administrator, to the Entity's monthly contribution statement and shall be due and payable as part of the Entity's next monthly contribution.
2. Penalties Cumulative. The late payment penalties set forth above are cumulative, such that any late payments during the term of the Trust Agreement, including payments that remain unpaid over more than one payment period, shall be counted for purposes of determining the total number of late payments. The following are two examples of the manner in which penalties may be cumulated:

Example 1: A Participating Entity's first late payment receives a letter of warning. If the first late payment is not paid by the next payment due date, a late payment penalty of 0.5% shall be applied to any outstanding late balances. If the first late payment remains unpaid by the next succeeding payment due date, a late payment penalty of 1.0% shall be applied to any outstanding late balances, including any penalty amounts.

Example 2: A Participating Entity makes the first three payments timely, but is late with the fourth, which results in a letter of warning. The Participating Entity then timely makes the next three payments, but is late with the eighth payment; a 0.5% penalty shall be assessed.

3. Discretionary Penalty Waiver. The Board of Trustees retains the authority to waive, at its sole discretion, the late payment penalty in the case of extenuating circumstances if requested by the Participating Entity. The decision whether to waive the late penalty shall be made at the Board's next-available regularly-scheduled meeting following the Participating Entity's request and such decision shall be final and binding.

## **Section 8. Membership**

A. **Eligibility.** Effective July 02, 2012, cities, towns, counties, fire districts, municipal corporations and any other political subdivisions of these types of entities as may be eligible for membership pursuant to A.R.S. § 11-952 et seq. located within the State of shall be eligible to be considered for membership as a Participating Entity.

### **B. Application for Membership.**

1. **Form of Application.** Application for membership shall be made on forms provided by the Trust.
2. **Deadline for Application.** Completed applications, as defined by the Board of Trustees, shall be received by the Trust no less than sixty (60) calendar days prior to the proposed date that membership would be effective.
3. **Evaluation Criteria.** Application for membership in the Trust shall be based upon criteria approved by the Board of Trustees.
4. **Board of Trustees Action.** The Board of Trustees shall act on applications no less than ten (10) business days after notification to the applicant that its application is complete. This limit may be extended in order to obtain additional information required by the Trust or other parties involved in the underwriting/selection process.

C. **Acceptance of Membership Invitation.** Upon notification to an applicant of an offer for membership in the Trust, the applicant shall provide to the Trust a resolution of its Governing Body, no more than thirty (30) calendar days following such notification accepting the offer to become a member of the Trust. The resolution shall include:

1. Approval of the Trust Agreement and designation of a representative to execute the agreement;
2. Acceptance of the proposed schedule of premiums as determined by the Board of Trustees;
3. Acceptance of the Trust Bylaws as approved and adopted; and
4. Determination by legal counsel for the entity that the resolution and agreements are in proper form and are within the powers of the entity to approve.

## **Section 9. Operations**

A. **Applicable Laws.** The Trust and its officers, employees and contractors will conform to all applicable state and federal laws, rules and regulations.



- B. **Principal Office.** The Principal Office of the Trust shall be the office of the Trust's legal counsel as follows:

Jones, Skelton & Hochuli, P.L.C.  
ATTN: Michael Hensley, Esq.  
2901 North Central Avenue, Suite 800  
Phoenix, Arizona 85012

- C. **Risk Management Plan.** The Board of Trustees shall prepare, or cause to be prepared, a Plan of Risk Management for the Trust. The Plan shall include one or combinations of the following:

1. The employee benefits to be offered through the Trust;
2. Limits of coverage, whether through self-insurance, conventional insurance purchased from a commercial carrier or reinsurance;
3. The amount of risk to be retained by the Trust;
4. Major loss control techniques to be implemented;
5. The proposed method of assessing Entity Contributions to be paid by each Participating Entity of the Trust;
6. A summary of the preceding year's operations and major activities planned for the coming year;
7. Coverage to be purchased from a commercial carrier, if any; and
8. Such additional information as may be identified by the Board of Trustees.

- D. **Financial Statements and Operating Reports.** The Trust shall provide its members with periodic reports concerning the financial condition and operation of the Trust. These shall be provided at least quarterly and may be made more frequently if specified by the Board of Trustees.

- E. **Requests for Information.** Requests for records or documents of the Trust shall be made through the Trust Administrator or the Trust's legal counsel.

- F. **Allocation and Distribution of Surpluses and Deficits**

1. **Date Credited.** Surpluses and deficits shall be credited to the fiscal year in which they accrue.

2. Surplus/Deficit Allocation. Surpluses and deficits shall be allocated amongst Participating Entities in accordance with the Surplus/Deficit Allocation Policy and according to such Surplus/Deficit Allocation Formula/Methodology as the Board of Trustees may from time to time approve. Adoption of the Surplus/Deficit Allocation Policy and the Surplus/Deficit Allocation Formula/Methodology to be followed in allocating surpluses or deficits shall be by two thirds (2/3) vote of the Board of Trustees.
  3. Supplemental Assessments for Statutory Compliance. The Board of Trustees shall order supplemental assessments as needed to comply with applicable provisions of A.R.S. § 11-952.01. Supplemental assessments ordered by the Board of Trustees under this section shall be calculated in accordance with the Surplus/Deficit Allocation Formula/Methodology approved by the Board of Trustees at the time the supplemental assessment is ordered.
  4. Supplemental Assessments for Deficits. The Board of Trustees may order supplemental assessments to cure deficits that arise in any fiscal year but which are not sufficiently severe to jeopardize the overall solvency of the Trust. Supplemental assessments ordered by the Board of Trustees under this section shall be calculated in accordance with the Surplus/Deficit Allocation Formula/Methodology approved by the Trustees at the time the supplemental assessment is ordered.
  5. Release of Surplus. The Board of Trustees may allow for the release of surplus to Participating Entities through credits applied to monthly contributions in accordance with the Surplus/Deficit Allocation Policy and Surplus/Deficit Allocation Formula/Methodology approved by the Trustees at the time the release of surplus is authorized.
  6. Votes for Assessments. Decisions by the Board of Trustees to order supplemental assessments or allow for releases of surpluses as provided for under this section shall be by two thirds (2/3) vote of the Board of Trustees.
  7. Compliance with Applicable Law. The Board of Trustees shall comply with all applicable Federal, State and Local laws in allocating and/or distributing any surpluses or deficits.
- G. **Restrictions on Dissemination of Entity Loss Experience.** Consistent with the intent and policy of the Trust to spread risk among all members of the Trust, Participating Entities agree that only total (aggregate) loss experience of the Trust can be shared amongst its members; individual entity loss experience will only be shared with the entity for which it is applicable. Individual entity loss information shall never be shared with other Participating Entities.

## **Section 10. Amendments to Bylaws**

- A. **Submission.** Proposed amendments to the Bylaws should be filed in writing with the Board of Trustees no less than thirty (30) calendar days prior to the scheduled date of consideration except in cases of a *bona fide* emergency. A statement explaining the purpose and effect of the amendment shall be included. Proposed amendments to the Bylaws shall be reviewed and approved in writing as to form by counsel for the Trust prior to approval by the Board of Trustees.
  
- B. **Notice to Trustees.** All proposed amendments and accompanying statements shall be transmitted in writing to each Trustee at least fifteen (15) business days prior to the scheduled date of consideration.
  
- C. **Consideration.** Except in a *bona fide* emergency, amendments shall be considered at a regular meeting of the Board of Trustees. Amendment of the Bylaws shall require a majority vote of the Board of Trustees.