

PUBLIC AGENCY COMPENSATION TRUST

BYLAWS

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**BYLAWS OF THE
PUBLIC AGENCY COMPENSATION TRUST**

ARTICLE I: PACT PHILOSOPHY AND STRUCTURE

SECTION 1.01. PHILOSOPHY.

The philosophy of the PACT is to maintain long term stability in the costs and coverages provided by the PACT to its Members through risk management.

SECTION 1.02. GENERAL STRUCTURE.

The PACT is governed by its Board of Trustees consisting of representatives of each Member as defined in the Interlocal Cooperation Agreement

SECTION 1.03. DUTIES AND RESPONSIBILITIES.

The responsibilities of the PACT to Members shall be:

- (a) To provide a source of workers compensation coverage;
- (b) To provide such risk management services and materials for education purposes as the Members determine are necessary and affordable;
- (c) To provide guidance in organization and operation of a risk management program by each Member;
- (d) To provide risk management advice when needed or necessary;
- (e) To conduct the business of the PACT so as to continue to operate as a PACT; and
- (f) To collect and disburse funds for the sound financial organization and operation of the PACT.

SECTION 1.04. DUTIES AND RESPONSIBILITIES OF A MEMBER.

The duties and responsibilities of a Member shall be:

- (a) To comply with the Interlocal Cooperation Agreement, Bylaws, rules, regulations and objectives of the PACT;
- (b) To maintain good community relations with the primary objective being reduction of risks;
- (c) To make timely submissions to the PACT and its insurers of contributions to the PACT's Loss Fund, administrative fees, and insurance premiums;

- (d) To publish for the Member and the files of the PACT, guidelines for the operation of the Member's Risk Management Program;
- (e) To appoint a PACT Liaison and to support the purposes of that function in accordance with Article 19 of the Interlocal Cooperation Agreement;
- (f) To comply with the requirements of the PACT and to submit claims to the claims servicing organization promptly;
- (g) Maintenance Deductibles - Each Member's maintenance deductible is chargeable to the Member at the time of payment made on a claim by the PACT. The maintenance deductible applies once to each loss. Each member shall reimburse the PACT promptly and not later than 30 days after billing. Should the Member dispute the applicability of the maintenance deductible, the Member shall pay the amount due with an accompanying request for review by the Executive Committee, whose decision shall be final; and
- (h) Each Member shall establish a fund or account for the purposes stated in the following description entitled "Self-Insurance Fund" which shall be administered by the PACT Liaison or such other person as designated by the Member.

SELF-INSURANCE FUND

1. This fund has been established to: pay for losses not covered by the PACT or which are within the PACT Member's maintenance deductible including:
 - a. workers compensation claims,
 - b. other claims or uses deemed appropriate by the governing board.
2. This fund will maintain reserves for catastrophic or uninsured claims.
3. The administrator of the fund is the PACT Liaison.
4. Claims that are deemed appropriate according to the risk management policies of the governing board will be paid from the Self-Insurance Fund.
5. Any questions regarding the Self-Insurance Fund (claims to be paid, etc.) should be directed to the PACT Liaison.

SECTION 1.05. NEW MEMBERS.

The Board shall have sole power to accept new Members when a prospective Member demonstrates:

- (a) A desire to join the PACT;

- (b) Willingness to abide by the Interlocal Cooperation Agreement, Bylaws, rules, regulations and objectives of the PACT;
- (c) That its risks and loss history are acceptable to the Board; and
- (d) That it agrees to maintain a strong risk management program.

ARTICLE II: OFFICES

SECTION 2.01. PRINCIPAL OFFICE.

The PACT's principal office shall be fixed and located in such place as the Board shall determine. The Board is granted full power and authority to change said principal office from one location to another.

SECTION 2.02. OTHER OFFICES.

Branch or subordinate offices may be establish at any time by the Board at any place or places.

ARTICLE III: MEMBERS MEETINGS

SECTION 3.01. PLACE OF MEETINGS.

Meetings of the entire Membership shall be held at any place designated by the Board.

SECTION 3.02. ANNUAL MEETINGS.

The annual meeting of all Members of the PACT shall be held prior to the end of each fiscal year. The Executive Committee shall be elected at the annual meeting and any other proper business may be transacted at the annual meeting.

SECTION 3.03. SPECIAL MEETINGS.

Special meetings of the Membership shall be held as may be determined necessary by the Executive Committee or the Board.

SECTION 3.04. NOTICE OF ANNUAL OR SPECIAL MEETINGS.

Written notice of each annual or special meeting of Members shall be given in accordance with the Nevada Open Meeting Law NRS Chapter 241 Such notice shall state the place, date and hour of the meeting, and

- (a) in the case of a special meeting, the general nature of the business to be transacted, and no other business may be transacted, or
- (b) in the case of the annual meeting, those matters which the Board, at the time of the mailing of the notice, intends to present for action.

SECTION 3.05. CONDUCT OF MEMBER MEETINGS.

The Chair of the Board may preside as Chair at all meetings of the Members. The Chair shall conduct each such meeting in a business like and fair manner, but shall not be obligated to follow any technical, formal or parliamentary rules or principles of procedure. The Chair shall have all of the powers usually vested in the Chair of a meeting of Members.

SECTION 3.06. ANNUAL MEETING BUSINESS

The Annual Meeting agenda must include the following topics required by the Nevada Administrative Code:

- (a) Review by the Board of Trustees at least annually of the financial condition of each member and prompt notification to the members of any member determined to be operating in a hazardous financial condition;
- (b) Review by the members at least annually of the loss experience of each member of the association; and
- (c) Review for the removal of members with an excessive loss experience or members determined by the Board of Trustees to be operating in a hazardous financial condition.

ARTICLE IV: TRUSTEES

SECTION 4.01. POWERS.

Subject to any limitations contained in the PACT s Interlocal Cooperative Agreement ("Agreement"), these Bylaws or the Law relating to action required to be approved by the Members or by a majority of all the Members, the activities and affairs of the PACT shall be conducted and all powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the PACT to any person or persons, management company, or committee however composed, provided that the activities and affairs of PACT shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

- (a) To select and remove all officers, agents, service providers and employees of PACT, prescribe powers and duties for them as may not be inconsistent with law, the Agreement or these Bylaws, fix their compensation and require from them such security, if any, for faithful service as the Board may deem appropriate;
- (b) To conduct, manage and control the affairs and activities of PACT, and to make such rules and regulations therefor not inconsistent with Law, the Agreement or these Bylaws, as they may deem appropriate;
- (c) To authorize memberships in the PACT from time to time, upon such terms and for such consideration as may be lawful; and

- (d) To borrow money and incur indebtedness for the purposes of the PACT, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidence of debt and securities therefore.

SECTION 4.02. ALTERNATE VOTING REPRESENTATIVE.

The Alternate Voting Representative to the Board of Trustees shall have the full powers of the Representative when attending Board meetings in place of the Representative.

SECTION 4.03. RIGHTS OF INSPECTION.

Every trustee shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the physical properties of the PACT.

SECTION 4.04. VACANCIES.

- (a) Subject to the provisions of the Agreement, any trustee may resign effective upon giving written notice to the Chair of the Board, the Executive Director, or the Board, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be selected before such time, to take office when the resignation becomes effective.
- (b) Vacancies on the Board, except those existing as result of a removal of a Trustee, may be filled by a majority of the remaining Trustees, although less than a quorum, or by a sole remaining Trustee at any regular or special meeting of the Board. Each Trustee so selected shall hold office until the next meeting of the Member and until a successor has been selected and qualified. The Member shall at its next regular meeting appoint a replacement Trustee.
- (c) A vacancy in the Board shall be deemed to exist in case of the death, resignation or removal of any Trustee, or if the authorized number of Trustees be increased, or if a Member fails, at any regular or special meeting of the Member at which any Trustee is elected, to elect its authorized Trustee.
- (d) The Board may declare vacant the office of a Trustee who has been declared of unsound mind by a final order of court, convicted of a felony, or been found by a final order or judgement of any court to have breached any duty arising under the laws of the State of Nevada or the Agreement. In addition, the Board may remove, and declare vacant, the office of a Trustee who fails to attend any Board meetings within any one fiscal year.
- (e) Vacancies on the Executive Committee that occur between meetings of the Board may be filled by the Chair to serve until the next Annual Meeting of the Board as described in Article III, Section 3.02 of these Bylaws.

SECTION 4.05. REMOVAL OF TRUSTEES.

Except as otherwise provided by the Law, any or all Trustees may be removed with or without

cause, if approved by the Members.

SECTION 4.06. FEES AND COMPENSATION.

Trustees shall not receive any compensation for their services as Trustees or as Members of committees or commissions, but, by resolution of the Board, reimbursement or advancement may be made for any expenses incurred or paid by them for the benefit of the PACT.

The PACT shall not make any loan of money or property to, or guarantee the obligation of, any Trustee or officer, unless approved by the Nevada Insurance Commissioner.

SECTION 4.07. REPRESENTATIVES MUST BE AN OFFICER OR ANY EMPLOYEE OF MEMBER.

The representative or alternate representative of each Member must be an officer or employee of the Member. No other person or organization shall be permitted to serve on the Board of Trustees.

ARTICLE V: COMMITTEES

SECTION 5.01. EXECUTIVE COMMITTEE:

- (a) Appointments to the Executive Committee shall be by a majority vote of the trustees then in office. A majority of all the Members of the Executive Committee may determine its rules of procedure unless the Board shall otherwise provide. The Board shall have the power to change the Members of the Executive Committee at any time, either with or without cause, and to fill vacancies; provided, however, that all appointments to the Executive Committee shall be by a majority vote of the directors then in office.
- (b) The Board may, at any regular or special meeting, overrule any action or actions of the Executive Committee by a majority vote of all Members of the Board, provided that any such action will not affect the contractual rights of parties outside the Organization.

SECTION 5.02. STANDING OR SPECIAL COMMITTEES.

- (a) In the event that the Board determines that the management of PACT would be benefited by the establishment of one or more standing or special committees, in addition to the Executive Committee, the Board may from time to time establish one or more such committees.
- (b) The term "standing committee" or "special committee" shall mean any committee appointed by the Board which is authorized by specific delegation, without further Board action, to make and implement decisions on behalf of the Board, or to implement, with some degree of discretion, decisions of the Board pursuant to guidelines established by the Board.
- (c) The establishment of a standing or special committee shall be effected by a resolution of the Board approved by the vote of the majority of the trustees then in office, which specifically sets forth the powers and duties delegated to such committee and

specifically identifies the committee as a "standing" or "special committee." Each such committee shall consist of two or more trustees and shall be presided over by a trustee selected by the Board.

- (d) Notice of, and procedures for, meetings of standing or special committees shall be as prescribed by the Chair of each such standing or special committee, and meetings of standing or special committees may be called by the Board or the Chair of the standing or special committee.

SECTION 5.03. LIMITATIONS UPON COMMITTEES OF THE BOARD.

No committee of the Board shall have any of the authority of the Board with respect to:

- (a) The approval of any action for which the Law or Agreement also requires approval of the Members or approval of a majority of all Members;
- (b) The filling of vacancies on the Board or on any committee which has the authority of the Board;
- (c) The amendment or repeal of Bylaws or the adoption of new Bylaws;
- (d) The amendment or repeal of any resolution of the Board which by its express terms is not so amendable or repealable; and
- (e) The appointment of other committees of the Board or the Members thereof if such committee will have the authority of the Board.

SECTION 5.04. TASK FORCES

The Chair of the Board, the Board, the Executive Committee or the Executive Director may from time to time appoint such task forces as deemed appropriate, consisting of Trustees or persons who are not Trustees, but such task forces shall not be deemed committees of the Board and shall not exercise any powers of the Board. Such task forces shall exist for a limited period not to exceed a period of 12 months unless extended for an additional period in order to complete its task prior to the annual board meeting. Notice of, and procedures for, meetings of task forces shall be as prescribed by the Chair of each such task force, and meetings of task forces may be called by the Chair of the Board, the Board, the Executive Committee, the Executive Director, or the Chair of the task force.

ARTICLE VI: OFFICERS

SECTION 6.01. OFFICERS.

The officers of the PACT shall be the Chair and the Vice Chair of the Board.

SECTION 6.02. ELECTION.

Members shall elect one Trustee, by a majority of the votes cast, to serve a two year term as

Chair and one Trustee to serve a two year term as Vice Chair.

SECTION 6.03. SUBORDINATE OFFICERS.

The board may elect, and may empower the Chair to appoint, such other officers as the business of the PACT may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

SECTION 6.04. REMOVAL AND RESIGNATION.

The Chair or any other officer may be removed at any time, either with or without cause, by the vote of two-thirds of the entire Board or, in the case of an officer who is chosen under Section 6.03, by any officer upon whom such power of removal may be conferred by the Board.

Any officer may resign at any time by giving written notice to the PACT, but without prejudice to the rights, if any, of the PACT under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified herein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 6.05. VACANCIES.

A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis.

SECTION 6.06. CHAIR OF THE BOARD.

The Chair of the Board shall assume the duties and responsibilities normally associated with the position or those duties assigned by the Board.

SECTION 6.07. EXECUTIVE DIRECTOR.

The Executive Director shall be the chief administrative officer of the PACT and, subject to the control of the Board, shall:

- (a) Supervise, direct, and control the business and affairs of the PACT;
- (b) Provide adequate staff to administer the PACT;
- (c) Supervise, direct, and control the collection, deposit, investment, and disbursement of all funds of the PACT in accordance with the specific or general instructions of the Executive Committee or the Board;
- (d) Be a nonvoting ex-officio member of the Board, Executive Committee, and all standing committees and, whenever practical, serve as the staff advisor and recording secretary thereof;

- (e) Have the general powers and duties of management usually vested in the office of an Executive Director or general manager of a quasi-governmental organization; and
- (f) Have such other powers and duties as may be prescribed by the Board or these Bylaws.

SECTION 6.08. FISCAL OFFICER.

The Board shall designate a member of the Board to serve as the Fiscal Officer of the PACT.

ARTICLE VIII: MISCELLANEOUS

SECTION 7.01. INSPECTION OF AGREEMENT AND BYLAWS.

The PACT shall keep in its principal office in the State of Nevada the original or a copy of its Agreement and of these Bylaws as amended to date, which shall be open to inspection by the Members at all reasonable times during office hours. The PACT shall upon the written request of any Member furnish a copy of the Agreement or Bylaws as amended to date.

SECTION 7.02. ENDORSEMENT OF DOCUMENTS: CONTRACTS.

Subject to the provisions of applicable law, no note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the PACT and any other person shall be valid and binding on the PACT unless the signing officers had the authority to execute the same. Unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the PACT by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

SECTION 7.03. CONSTRUCTION AND DEFINITIONS.

Unless the context otherwise requires, the general provision, rules of construction and definitions contained in the provisions of Nevada Law shall govern the construction of these Bylaws.

SECTION 7.04. MAINTENANCE OF CORPORATE RECORDS.

The accounting books, records, minutes of proceedings of the Board and the Executive Committee shall be kept at such place or places designated by the Board or, in the absence of such designation, at the principal business office of the PACT. The minutes shall be kept in written or typed form, and the accounting books and records shall be kept either in written or typed form, or in any other form capable of being converted into written, typed or printed form.

SECTION 7.05. ANNUAL REPORT.

The Board shall cause an annual report to be furnished to the trustees and Members not later

than one hundred twenty days after the close of the PACT fiscal year. The annual report shall be accompanied by any report thereon of independent accountants, or, if there is no such accountant's report, the certificate of an authorized officer of the PACT that such statements were prepared without audit from the books and records of the PACT. The annual report shall contain in appropriate detail the following:

- (a) The assets and liabilities, including the trust funds, of the PACT as of the end of the fiscal year;
- (b) The principal changes in assets and liabilities, including trust funds, during the fiscal year;
- (c) The revenue or receipts of the PACT, both unrestricted and restricted to particular purposes, for the fiscal year; and
- (d) The expenses or disbursements of the PACT, for both general and restricted purposes, during the fiscal year.
- (e) The annual financial report shall be prepared in accordance with Generally Accepted Accounting Principles

SECTION 7.06. FISCAL YEAR.

The fiscal year of the PACT shall commence on July 1 of each year and end on June 30 of the following year.

ARTICLE IX: AMENDMENTS

SECTION 8.01. BYLAWS.

- (a) New Bylaws may be adopted or current Bylaws may be amended or repealed by the vote of two-thirds of the Members.
- (b) In addition to the right of the members as provided in subparagraph (a) to adopt, amend or repeal Bylaws, and except as otherwise provided in the Law, Bylaws may be adopted, amended or repealed by the Board by a two-thirds vote of the Trustees present and voting (but not less than a majority of the entire Board) at a Board meeting unless the action would materially and adversely affect the rights of the Members as to voting.

SECTION 8.02. INTERLOCAL COOPERATION AGREEMENT

The Interlocal Cooperation Agreement may be amended if approved by a two-thirds vote of the trustees present and voting (but not less than a majority of the entire Board) at a Board meeting.

SECTION 8.03. ADOPTION.

These Bylaws were adopted by the vote of two-thirds of the Members, present in person, at the annual meeting of the Members. These Bylaws shall become effective immediately upon adoption and shall repeal and supersede all previous Bylaws of this PACT.

Adopted 5/1/2009