

Bill No. 13-15
Exhibit 1-A

RETIREE HEALTH BENEFITS TRUST AGREEMENT
for
ANNE ARUNDEL COUNTY, MARYLAND,
ANNE ARUNDEL COMMUNITY COLLEGE,
and
THE PUBLIC LIBRARY ASSOCIATION OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.

Effective July 1, 2015

**RETIREE HEALTH BENEFITS TRUST AGREEMENT FOR
ANNE ARUNDEL COUNTY, MARYLAND, ANNE ARUNDEL COMMUNITY
COLLEGE, AND THE PUBLIC LIBRARY ASSOCIATION OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.**

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**RETIREE HEALTH BENEFITS TRUST AGREEMENT FOR
ANNE ARUNDEL COUNTY, MARYLAND, ANNE ARUNDEL COMMUNITY
COLLEGE, AND THE PUBLIC LIBRARY ASSOCIATION OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.**

This Retiree Health Benefits Trust Agreement (the "Agreement") is adopted, effective on the date set forth in Section 8.2, by and between the government of Anne Arundel County, Maryland (the "County"), Anne Arundel Community College (the "College"), and The Public Library Association of Annapolis and Anne Arundel County, Inc. (the "Library") (collectively, the "Sponsors") and the Board of Trustees for the Trust (the "Board of Trustees").

RECITALS

Each Sponsor has adopted a health plan to provide certain health coverage benefits to eligible retired employees and their eligible dependents and eligible survivors of employees and retired employees and may in the future adopt other plans or programs under which it may provide "other post-employment benefits (OPEB)" (within the meaning of Statement Nos. 43 and 45 of the Governmental Accounting Standards Board ("GASB 43 and 45")). For purposes of this Agreement, any such plans or programs that are funded through the Trust established by this Agreement are individually or collectively, whichever is applicable in the context of the reference, referred to in this Agreement as the "Plan."

Pursuant to Sections 718(i) and 815 of the Charter of the Anne Arundel County Code, and Section 17-102 of the Local Government Article of the State Code, the Anne Arundel County Council hereby establishes, and the Sponsors hereby adopt, this trust as a mechanism for accumulating and investing assets to fund and pay the benefits provided for under the Plan (the "Trust") and specifically so that the assets of the Trust will qualify as OPEB Plan assets for purposes of GASB 43 and 45 so that the Sponsors may use the more favorable accounting treatment that applies under GASB 43 and 45 to OPEB obligations that are appropriately pre-funded.

The Trust will hold Plan assets until those assets are disbursed as benefit payments or are paid to an Insurer, if any, for benefits provided under the Plan or are used to pay the administrative expenses of operating the Plan and the Trust. The parties acknowledge that the Sponsors have established this Trust only as an accommodation to and as agent for the Sponsors.

The funds which are contributed to the Trust, as and when received by the Board of Trustees, constitute a trust fund to be held for the benefit of the Sponsors' eligible individuals under and in accordance with the Plan.

Any income earned by the Trust is intended to be exempt from federal taxation under Section 115 of the Internal Revenue Code of 1986, as amended (the "Code") as income derived from the exercise of essential governmental functions accruing to the Sponsors as political subdivisions of the State of Maryland.

Accordingly, in consideration of the premises and of the mutual covenants contained herein, the Sponsors and the Board of Trustees agree as follows.

ARTICLE 1 - DEFINITIONS

1.1 ADMINISTRATOR means the Sponsor or any other person or entity designated by a Sponsor as an administrator of a Plan in accordance with Section 8.4.

1.2 BOARD OF TRUSTEES means the Board that is established pursuant to Section 5.1.

1.3 COLLEGE means Anne Arundel Community College.

1.4 COUNTY means Anne Arundel County, Maryland.

1.5 GASB 43 means Statement No. 43 of the Governmental Accounting Standards Board ("GASB"): Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

1.6 GASB 45 means Statement No. 45 of the Governmental Accounting Standards Board ("GASB"): Accounting and Financial Reporting by Sponsors for Postemployment Benefits Other Than Pensions.

1.7 INSURER means any insurance carrier from which the Trust or a Sponsor purchases Other Postemployment Benefits coverage.

1.8 LIBRARY means The Public Library Association of Annapolis and Anne Arundel County, Inc.

1.9 MEMBER means any person who is a participant under a Plan that is funded through the Trust.

1.10 OTHER POSTEMPLOYMENT BENEFITS means other postemployment benefits within the meaning of GASB 43 and 45, including postemployment healthcare benefits and any other postemployment benefits other than pension benefits but excluding benefits defined as termination offers and benefits.

1.11 PLAN means, individually and, when applicable, collectively, any retiree healthcare plan or other plan or arrangement sponsored by a Sponsor that provides Other Postemployment Benefits for which the Sponsor, with the unanimous consent of the Sponsors, has designated the Trust as a funding vehicle. If any such plan or arrangement also provides benefits to active employees, the term "Plan" will be limited to that portion of that plan or arrangement that provides Other Postemployment Benefits.

1.12 SPONSOR means the government of Anne Arundel County, Maryland, Anne Arundel Community College and The Public Library Association of Annapolis and Anne Arundel County, Inc., which jointly sponsor the trust. Upon the unanimous consent of the Sponsors, other political subdivisions of the State of Maryland may become a Sponsor. No entity that is not a political subdivision of the State of Maryland will ever be eligible to become a Sponsor for purposes of the Trust.

1.13 TRUST means the trust established by this Agreement.

1.14 TRUST FUND means the funds constituting the Trust established by this Agreement.

1.15 TRUSTEE means any person or entity designated as a Trustee on the Board of Trustees pursuant to Article 5.

ARTICLE 2 - PURPOSE

2.1 TRUST ESTABLISHMENT AND PURPOSE. The Trust is hereby established as of effective date of this Agreement. This Trust is created for the sole purpose of funding Other Postemployment Benefits to be provided to eligible retired employees and their eligible dependents and eligible survivors of employees and retired employees. Except as provided in Section 7.2, in no event shall any part of the principal or income of this Trust be paid to or revert to the Sponsor, or be used for any purpose other than (i) the exclusive benefit of such former employees and their dependents or (ii) to pay legitimate expenses of administering the Trust and the Plan. The Trust shall be known as the "Anne Arundel County Retiree Health Benefits Trust."

2.2 RELATIONSHIP TO PLAN. The Trust is a funding vehicle for Other Postemployment Benefits that a Sponsor, with the unanimous consent of the Sponsors, chooses to fund through the Trust. All determinations as to the eligibility of any person to participate in the Plan and the benefits to be provided to such person shall be made solely in accordance with the terms of the Plan. Each individual Plan that has been designated by a Sponsor, with the consent of the Sponsors, as being funded through the Trust is listed in the attached Exhibit A. Any changes to Exhibit A, made with the consent of the Sponsors, will be automatically incorporated into this Agreement as of the date indicated on Exhibit A without the need for further amendment of this Agreement.

2.3 INCORPORATION BY REFERENCE. Each Plan document is expressly incorporated into this Agreement as if the Plan document had been fully set forth within this Agreement. Copies of applicable Plan documents and amendments to those documents will be promptly delivered to the Board of Trustees by the Sponsor that maintains each Plan.

ARTICLE 3 - CONTRIBUTIONS

3.1 RECEIPT OF CONTRIBUTIONS. The Board of Trustees will receive any contributions paid to it in cash or in the form of such other property as it may deem acceptable. All contributions so received, together with any income attributable to such contributions will be invested, reinvested, and administered by the Board of Trustees pursuant to the terms of this Agreement, without distinction between principal and income. The Board of Trustees is in no way responsible for the calculation or collection of any contribution under the Plan. Except as provided in Section 9.4, all contributions to the Trust are irrevocable.

3.2 TRUST FUND. The Trust Fund consists of all contributions made by the Sponsors or transferred to the Trust Fund as provided herein, and the investments and reinvestments thereof and the income thereon which shall be accumulated and added to principal.

All assets of the Trust Fund may be co-mingled and invested as a single Trust Fund. However, the assets of the Trust Fund attributable to each Sponsor shall be accounted for separately as if maintained as a separate asset pool associated with each Sponsor.

3.3 COMPLIANCE WITH LAWS. The Plan, this Agreement, and the Trust Fund thereunder are intended to meet all the applicable requirements of federal law and the laws of the State of Maryland. In addition, this Agreement and the Trust Fund is intended to provide for the exemption of any income that may accrue under the Trust from federal taxation pursuant to Internal Revenue Code Section 115 as income derived from the exercise of essential governmental functions by the Sponsors and this Agreement shall be construed to be consistent with that intent. All contributions to the Trust Fund are hereby expressly conditioned on the tax-exempt status of the Trust. If the Internal Revenue Service determines that the Trust is not tax-exempt, then all contributions, together with all earnings thereon, shall be returned to the Sponsors within one (1) year following such determination, in accordance with Section 7.2.

ARTICLE 4 - PAYMENTS FROM TRUST FUND

4.1 PAYMENTS FROM TRUST FUND. The Board of Trustees shall, from time to time and in accordance with written directions from a Sponsor, make payments out of the Trust, including the payment of benefits under the Plan and expenses related to the operation or administration of the Plan and the Trust, the payment of premiums and other amounts due in respect of Policies described in Section 5.5, any amounts to be paid to a claims administrator or other third party administrator, and the payment of compensation and such other fees due to persons providing services with respect to the Plan or the Trust.

Upon written direction of a Sponsor, the Board of Trustees shall make distributions from the appropriate separate asset pool of such Sponsor in the Trust Fund, to or for the benefit of such Sponsor's Members, in such manner, and in such amounts, and for such purposes, as may be specified in such directions. The Board of Trustees shall not be liable for any distributions made pursuant to written directions from a Sponsor as herein provided, and the Board of Trustees shall be under no duty to make inquiries as to whether any distribution

directed by such Sponsor's authorized representative is made pursuant to the provisions of a Plan or this Agreement. The Board of Trustees may, however, require that a Sponsor certify as to certain matters in connection with any requested distribution, including, without limitation, that such direction is for the purpose of (i) paying benefits under a Plan (or reimbursing the Sponsor for the payment of benefits under a Plan), (ii) paying premiums to an insurer for benefits provided under a Plan, (iii) transferring funds to a trust or equivalent arrangement, for providing benefits under a Plan, (iv) paying expenses related to the operation or administration of the Plan, or (v) for any purposes permitted under the Internal Revenue Code. To the extent necessary to make the distributions described in this Section, the Board of Trustees shall take such action as shall be necessary to liquidate Trust Fund assets attributable to the Sponsor as soon as is practicable and in a way that will prevent penalty or any unnecessary loss.

4.2 IMPOSSIBILITY OF DIVERSION. Benefits to be paid under this Agreement, whether directly or indirectly, shall include only the benefits provided for in the Plan. No other benefits or rights are intended to be granted or created by reason of the existence of this Trust. Except as provided in Section 7.2, it shall be impossible at any time for any part of the Trust Fund to be used for, or diverted to, purposes other than to provide the benefits contemplated under the Plan for the exclusive benefit of Members, except that any administrative expenses of the Plan or the Trust, or for which the Trust is liable, may be paid from the Trust Fund as provided in this Agreement.

ARTICLE 5 - TRUST AND TRUSTEES

5.1 BOARD OF TRUSTEES ESTABLISHED; CONTROL. There shall be a Board of Trustees established under this Agreement to be known as the "Board of Trustees of the Anne Arundel County Retiree Health Benefits Trust." The Board of Trustees shall hold and invest the funds and assets received by the Trust subject to the terms of the Plan and for the purposes set forth in this Agreement. The Board of Trustees will have exclusive authority and discretion to manage and control the assets of the Trust except as otherwise provided under the Plan or under this Agreement; provided, however, that any investments made by the Board of Trustees shall be in accordance with the investment policy promulgated under Section 5.4(c). The Board of Trustees shall be responsible only for such funds and assets as shall actually be received by the Board of Trustees under this Agreement.

Title to any of the assets of the Trust Fund may be held or registered in the name of a nominee of the Board of Trustees for ease of administration, provided that the books of the Trust reflect actual ownership. The Board of Trustees shall be liable for the acts of its nominees. The assets so held or registered shall at all times remain in the possession or under the control of the Board of Trustees.

5.2 APPOINTMENT; TERM; RESIGNATION AND REMOVAL.

(a) Appointment of Trustees. The Board of Trustees shall consist of the following thirteen (13) Trustees:

- (1) The County Chief Administrative Officer (ex officio);
- (2) The County Controller (ex officio);
- (3) The County Personnel Officer (ex officio);
- (4) The County Budget Officer (ex officio);
- (5) The following four (4) members appointed by the County Executive and confirmed by resolution of the County Council:
 - (i) An active non-represented employee in the classified service or a retiree who retired as a non-represented employee in the classified service, and who is not a Trustee by virtue of Section 5.2(a)(1)-(4) (ex officio);
 - (ii) An active employee who is a member of one of the uniformed public safety unions or a retiree who retired as a member of one of the Uniformed Public Safety Unions, and who is nominated by a majority of the presidents of the County Uniformed Public Safety Unions;
 - (iii) An active employee who is in the classified service represented by an exclusive representative other than one of the County Uniformed Public Safety Unions or a retiree who retired as a classified employee represented by an exclusive representative other than one of the County Uniformed Public Safety Unions, and who is nominated by a majority of the presidents of the Non-Uniformed Public Safety Unions; and
 - (iv) An individual who is a resident of the County, is not an employee or retiree of the County, and is knowledgeable with regard to finances and investments.
- (6) Three (3) individuals appointed by the Board of Trustees of the College;
- (7) Two (2) individuals appointed by the Board of Trustees of the Library; and

(b) Term of Trustees.

(1) Generally. Except as provided in paragraph (2), the term of each Trustee listed in Section 5.2(a)(5)-(10) shall be three (3) years or until his or her resignation or removal from the Board of Trustees per Section 5.2(c) below. A Trustee described in Section 5.2(a)(5)-(7) who becomes a retiree during the Trustee's term of office may complete that term of office. At the end of a term, a Trustee continues to serve until a successor is appointed or elected and a Trustee listed in Section 5.2(a)(5)-(7) who is newly appointed or elected shall serve a new three (3) year term. There are no limits on the number of terms a Trustee may serve. Each Trustee shall accept appointment as a Trustee by signing this Trust Agreement. The initial Trustees shall sign the Trust Agreement following the County's approval of the Trust Agreement (by Ordinance of the County Council). Subsequent Trustees shall sign a Trustee signature page immediately following appointment as Trustee.

(2) Initial Terms. The initial term of the first trustee appointed under Section 5.2(a)(5)(i) shall be one year; the initial term of the first trustee appointed under Section 5.2(a)(5)(ii) shall be two years; of the first three trustees appointed under Section 5.2(a)(6) one shall have an initial term of one year and one shall have an initial term of two years; and, of the first two trustees appointed under Section 5.2(a)(7) one shall have an initial term of two years.

(c) Resignation or Removal of Trustee. A Trustee may resign from the Board of Trustees at any time by giving at least thirty (30) days prior notice in writing sent by certified mail to the Board of Trustees and, if applicable, the Sponsor who appointed such Trustee. A Sponsor, other than the County, may remove its appointed Trustee at any time, with or without cause, and may appoint a successor Trustee. The County Executive may remove a Trustee appointed under Section 5.2(a)(5) upon confirmation of the removal by a resolution passed by the County Council. If this Agreement is terminated as it applies to a specific Sponsor, per Section 7.2, all Trustees appointed by such Sponsor shall immediately be removed as a Trustee. Any Trustee, upon leaving office, shall turn over and deliver to the principal office of the Trust Fund any and all records, books, documents or other property in his possession or under his control which belong to the Trust Fund.

(d) Officers of the Board of Trustees. The County Executive shall annually appoint a Chair from the membership of the Board. Neither the County Personnel Officer nor the County Controller may serve as the Chair. The County Personnel Officer shall serve as Secretary to the Board.

5.3 VOTING; QUORUM; MEETINGS. Each Trustee is entitled to one (1) vote on the Board of Trustees. A majority of all Trustees shall constitute a quorum for purposes of transacting any business, executing any power or performing any act or duty. Whenever action is taken by the Board of Trustees pursuant to this Agreement, such action shall be taken by affirmative vote of a majority of the Trustees then designated and entitled to exercise authority with respect to such action or, if two or fewer Trustees are entitled to exercise authority with respect to such action, shall be taken by affirmative vote of both Trustees or the only Trustee, as applicable. The Board of Trustees may authorize any one or more of them to sign papers and instruments on the Board of Trustee's behalf.

There shall be an annual meeting of the Board of Trustees on a date and in a place designated by the Trustees. The Trustees shall hold such other meetings as may be agreed upon by a majority of the Trustees and may be called by any Trustee upon written notice to the other Trustees and may be held at any time without such notice if all the Trustees consent. Meetings of the Board of Trustees are subject to the Maryland Open Meetings Act. At its first meeting, the Board of Trustees shall designate an address where it shall receive notices and formal correspondence.

Action by the Board of Trustees may also be taken in writing without a meeting, provided, however, that in such cases there shall be unanimous written consent therein by all of the Trustees.

The Trustees may adopt bylaws or establish standing committees for the conduct of business by a majority vote of the Trustees.

5.4 MANAGEMENT OF ASSETS.

(a) Powers of the Trustee or Investment Manager. The Board of Trustees or, if applicable, the Investment Manager appointed pursuant to Section 5.4(b) to manage the Plan's assets, is empowered and authorized, in its sole discretion but subject to current rules and regulations at the time the investment is made and subject to the provisions of the Plan and this Agreement and to subsection (b) of this Section, to do all acts that it considers necessary and to exercise any and all powers of this Agreement with respect to the management of the assets of the Trust, including:

(1) sell, exchange, convey, transfer, lease for any period, pledge, mortgage, grant options, contract with respect to, or otherwise encumber or dispose, at public or private sale, for cash or credit or both, any part of the Trust Fund;

(2) vote, in person or by any proxy, at any election of any corporation in whose stock the assets of the Trust are invested, and exercise, personally or by a power of attorney, any right appurtenant to any investment held in the Trust Fund; and give general or specific proxies or powers of attorney with or without power of substitution;

(3) retain uninvested cash in an amount it considers prudent to pay benefits, expenses, and other payments;

(4) employ agents, including investment counsel, for advice and to manage the investment of the Trust Fund property; to employ attorneys, auditors, depositories and proxies, with or without discretionary powers; and all such parties shall have the right to rely upon and execute the written instructions of the Board of Trustees, and shall not be obligated to inquire into the propriety of the acts or directions of the Board of Trustees, other than is required under applicable law; and

(5) engage in any litigation, either for the collection of monies or for other properties due the Trust Fund, provided in defense of any claim against the Trust Fund; provided, however, that the Board of Trustees shall not be required to engage in or participate in any litigation unless the Trustees shall have been indemnified to their satisfaction against all expenses and liabilities to which any Trustee may become subject.

Notwithstanding anything herein to the contrary, the assets of the Trust may not be directly invested in any bonds, notes, or debt instruments issued by the County, any political subdivision within the County, any agency supported or financed wholly or partly by taxes levied by the County Council, or any agency supported by bond issues underwritten by the County, if the investment would be a prohibited transaction under the provisions of the Internal Revenue Code applicable to the Trust.

(b) Investment Manager. Notwithstanding the foregoing, the Board of Trustees may appoint an investment adviser registered as such under the Investment Advisers Act of 1940, a bank (as defined in that Act) or an insurance company qualified to perform investment management services under the laws of more than one state to manage the investments of all or any part of the Trust Fund (the "Investment Manager"). Any directly-owned real estate purchased as an investment by the Board of Trustees shall be managed by an external investment manager. Upon such appointment, and acknowledgment by the appointee that it is a fiduciary, the appointee shall have all rights to manage the investments of that portion of the Trust Fund over which authority has been granted, in accordance with the investment policy promulgated by the Board of Trustees. The Board of Trustees shall maintain control over the promulgation of investment policy. The Board of Trustees shall be relieved of all further responsibility in respect thereof and shall abide by the instructions of such appointee. The Investment Manager appointed by the Board of Trustees may be removed at any time by the Board of Trustees.

(c) Investment Policy and Actuarial Studies.

(1) Establishment of Policy. The Board of Trustees shall adopt an investment policy that details the goals and objectives of the investment programs and the policies that govern the selection and retention of investments. The Board of Trustees shall review and, as appropriate, revise such investment policy from time to time.

(2) Actuarial Studies. The Sponsor shall provide to the Board of Trustees a copy of any studies obtained by the Sponsor in accordance with GASB 43 and 45.

(d) Manner of procurement of services. Article IX of the Anne Arundel County Charter shall not apply to the following: (1) the appointment by the Board of Trustees of an investment advisor or insurance company as Investment Manager, (2) the appointment by the Board of Trustees or the Investment Manager of agents, including investment counsel, and (3) the employment by the Board of Trustees or the Investment Manager of attorneys, auditors, depositories and proxies.

5.5 INSURANCE POLICIES. In accordance with instructions from a Sponsor, the Board of Trustees may pay from the Trust Fund premiums or other amounts due with respect to insurance policies acquired pursuant to action taken by a Sponsor to provide benefits that are funded through the Trust.

5.6 RELIANCE BY BOARD OF TRUSTEES. The Board of Trustees may rely on any decision of the Administrator purporting to be made pursuant to the terms of a Plan and on any list or notice furnished by the Sponsor or the Administrator as to any facts, the occurrence of any events or the existence of any situation, and shall not be bound to inquire as to the basis of any such decision, list or notice, and shall incur no obligation or liability for any action taken or suffered to be taken by them in reliance thereon.

5.7 CHANGES IN ADMINISTRATOR. The Board of Trustees shall not be bound to inquire as to changes in the Administrator and shall be entitled to rely on such information as it may receive from time to time from the chief executive officer of a Sponsor with respect to a change in Administrator.

5.8 LEGAL COUNSEL. The Board of Trustees may consult with legal counsel (who may or may not be counsel for the Sponsor) concerning any question which may arise with reference to its duties under a Plan or this Agreement, and the Board of Trustees may rely in good faith upon the opinion of such counsel.

5.9 LIABILITY; EXPENSES; EARNINGS. No Trustee shall be liable for any losses which may be incurred upon the investments of the Trust Fund except to the extent that any losses to the Trust Fund are caused by such Trustee's bad faith, negligence or willful misconduct or by a breach of the Trustee's fiduciary duties under applicable law.

Every act done, power exercised or obligation assumed by the Trustees, pursuant to the provisions of this Agreement, or in carrying out the trusts herein contained, shall be held to be done, exercised or assumed by them as Trustees and not as individuals, and every person or corporation contracting with the Trustees shall look only to the Trust Fund and property of the Trust Fund for payment under such contract, or for the payment of any debt, mortgage, judgment or decree or the payment of any money that may otherwise become due or payable on account of the trusts herein provided for, and any other obligation arising out of this Agreement in whole or in part, and neither the Trustees, the Sponsors', nor the Sponsors' employees present or future, shall be personally liable therefor. The Trustees may also purchase insurance (including fiduciary liability insurance), as an expense of the Trust, covering the Sponsors, the Board of Trustees and individual Trustees.

Each Sponsor is liable under this Agreement for its pro rata share of any expenses properly and actually incurred by the Board of Trustees in the administration or termination of the Trust Fund. Expenses incurred in the administration or termination of the Trust Fund shall not be construed to include the expenses incurred by the County in the administration of the respective Plans of the College and Library for which the College and the Library pay fees under "pooling agreements" with the County. The Sponsors may pay some or all of such expenses,

including legal expenses. If the Sponsors do not pay such expenses, all expenses properly and actually incurred shall be paid out of the Trust Fund. Trustees are not entitled to compensation for the services provided as a Trustee. Although any income earned by the Trust Fund is expected to be exempt from taxation under Code Section 115, if at any time the Board of Trustees determine that any tax is due on income accruing with respect to the Trust Fund, such tax may be paid as a proper administrative expense of the Trust Fund.

Effective July 1, 2016, a Sponsor's pro rata share of the expenses incurred by the Board of Trustees in the administration or termination of the Trust Fund shall be based on the percentage of the total assets of the Trust Fund attributed to the Sponsor as of July 1st of each year, with that percentage applied to the expenses for the following twelve months. Before that date the allocation of expenses shall be as follows: The County, 90 %; the College, 6 %; and the Library, 4 %.

The Sponsor or the Administrator of a Sponsor shall be paid out of the Trust Fund for such fees or administrative expenses as are authorized to be paid to the Sponsor by the Sponsors.

5.10 RELIANCE ON TRUSTEES. No person contracting or in any way dealing with a Trustee shall be under any obligation to ascertain or inquire (i) into any powers of the Trustee; (ii) whether such powers have been properly exercised; or (iii) about the sources or applications of any funds received from or paid to the Board of Trustees. Any person contracting or in any way dealing with the Board of Trustees may rely on the exercise of any power or authority as the conclusive evidence that the Board of Trustees possesses such power or authority.

5.11 PRUDENT PERSON RULE; CONFIDENTIALITY; ETHICS. The Board of Trustees shall discharge their duties under this Plan and this Agreement solely in the interest of Members and (i) for the exclusive purpose of providing benefits to such Members and paying reasonable expenses of administering the Plan and the Trust; (ii) with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims; (iii) by diversifying the investments of the Plan held in the Trust so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and (iv) in accordance with the provisions of this Plan and this Agreement insofar as they are consistent with the provisions of applicable law. In discharging their duties under this Agreement, the Trustees shall at all times act consistently with and be bound by the Anne Arundel County Public Ethics Law which, as amended from time to time, is incorporated by reference as fully as if set forth in this Agreement.

The Trustees shall keep all information regarding Members confidential except to the extent necessary to fulfill their duties and obligations under this Agreement or as otherwise required by law.

5.12 LEGAL ACTION. In the case of any suit or proceeding regarding the Plan or the Trust in which the Board of Trustees, a Sponsor other than the County, or a Trustee, is a party

the Anne Arundel County Office of Law shall represent the Board of Trustees, the Sponsor other than the County, and the Trustee unless, in the sole determination of the County Attorney, there is a conflict of interest or there are insufficient resources within the Office of Law that precludes representation of all such parties by the Anne Arundel County Office of Law, recognizing that the primary duty of the Anne Arundel County Office of Law is to represent the County in any suit or proceeding to which the County is a party. In any suit or proceeding regarding the Plan or the Trust to which the Board of Trustees, a Trustee, or a Sponsor is a party and is represented by the Anne Arundel County Office of Law, the County shall be entitled to reimbursement from the Trust Fund for any and all out-of-pocket expenses reasonably incurred during the course of the representation. In the case of any suit or proceeding regarding the Plan or the Trust to which a Trustee is a party and responsible for his or her own legal representation, the Trustee shall be reasonably reimbursed for any and all costs, including attorney's fees, and for all necessary expenses which the Trustee has incurred or become liable on account thereof or on account of any other phase of its administration of the Trust Fund, and the Trustee shall be entitled to reimbursement for said expenses out of the Trust Fund to the extent not reimbursed by any insurance coverage procured by or on behalf of the Trustees.

Nothing in this Agreement, service on the Board of Trustees, or any policy of insurance waives or abrogates any personal immunity that a Trustee who is an officer or employee of a Sponsor may have as result of the Maryland State or Local Government Tort Claims Acts. For that purpose, a Trustee who is an officer or employee of a Sponsor shall be construed as acting within the scope of employment with that Sponsor while discharging his or her duties as a Trustee. Trustees who are not officers or employees of a Sponsor are voluntary employees of Anne Arundel County, Maryland for purposes of the Maryland Local Government Tort Claims Act.

ARTICLE 6 - TRUSTEE'S DUTIES

6.1 GENERAL. The Board of Trustees has only such duties as are imposed on it under this Agreement and State law and the duties and obligations of a Trustee as such shall be limited to those expressly imposed upon it by this Agreement notwithstanding any reference herein to the Plan, or the provisions thereof, it being hereby expressly agreed that a Trustee is not a party to the Plan.

6.2 ACCOUNTING OF FUNDS AND TRANSACTIONS.

(a) The Board of Trustees shall keep true and accurate records of all transactions of the Trust Fund, which records shall be available for inspection on order by authorized representatives of the Sponsor or by Members at reasonable times. The Board of Trustees is subject to the Maryland Public Information Act, with the Secretary of the Board of Trustees as the official custodian of the records of the Board of Trustees.

(b) By September 30th each year, the Board of Trustees shall publish audited financial statements of the Trust Fund, prepared in accordance with generally accepted accounting principles. The audited financial statements shall include a schedule of accounting for

each asset pool associated with each Sponsor. As the Board of Trustees considers it necessary, the Board of Trustees may prepare a report according to related guidelines of a nationally recognized body such as the Government Finance Officer's Association.

6.3 LIMITATION ON TRUSTEE'S LIABILITY. The Board of Trustees shall not be responsible for the adequacy of contributions to the Trust Fund to meet or discharge any payments or liabilities under the Plan. The Board of Trustees shall be entitled conclusively to rely upon any written notice, instruction, direction or other communication of a Sponsor. The Board of Trustees shall be under no duty or responsibility to inquire into the acts or omissions of a Sponsor or their designees, nor shall the Board of Trustees have any liability therefor. Should it become necessary to perform some act hereunder and there is neither direction in this Agreement nor information nor instructions from a Sponsor relating thereto, and no such information or instructions can be obtained after reasonable inquiry, the Board of Trustees shall have full power and authority to act in its discretion, consistently with the purpose of this Trust; and in so acting or in following any instructions from a Sponsor, each person serving as a Trustee shall be fully protected and indemnified by the Sponsors, and shall be absolved from all liability, except for actions involving fraud or bad faith on the part of such Trustee.

The duties, powers and responsibilities on the part of the Board of Trustees shall be limited as specifically provided herein. No person serving as a Trustee hereunder shall be liable or responsible to anyone for any matter or thing whatsoever absent willful misconduct.

The Sponsors agree, to the extent permitted by law, to indemnify and hold each person serving as a Trustee harmless from and against any liability that the Trustee may incur in the administration of the Trust, unless the action of the Trustee is judicially determined to constitute the Trustee's own willful misconduct. In all circumstances, the Sponsors shall fully indemnify and save harmless the Trustee from liability and expense incident to any act or failure to act by reason of the Trustee's reliance upon or compliance with instructions issued by the Sponsors.

ARTICLE 7 - AMENDMENT AND TERMINATION OF AGREEMENT

7.1 AMENDMENT. Any or all of the provisions of this Agreement may be amended at any time and from time to time, in whole or in part, by an instrument in writing signed by the Board of Trustees and each of the Sponsors. Except as provided in Section 7.2, no such amendment shall authorize or permit any part of the Trust Fund (other than such part as is required to pay administration expenses of the Plan or the Trust) to be used for or diverted to purposes other than for the exclusive benefit of Members and their eligible dependents under the Plan; no such amendment shall cause or permit any portion of the Trust Fund to revert to or become the property of a Sponsor or to be used for the benefit of a Sponsor before the satisfaction of all liabilities of such Sponsor to that Sponsor's Members; and no such amendment which affects the rights or duties of the Board of Trustees may be made without the Board of Trustees' written consent.

7.2 TERMINATION; PARTIAL TERMINATION. This Agreement may be terminated at any time by the unanimous consent of the Sponsors and, upon such termination, or

upon the dissolution or liquidation of each of the Sponsors, the Trust Fund shall be paid out by the Board of Trustees in accordance with the provisions of Article 4 and the terms of the Plan. Upon the termination of the Trust, after the satisfaction of all liabilities and expenses related to the Plan and Trust, any and all funds remaining in the Trust shall be paid to the Sponsors in a manner that reflects, in the sole and absolute judgment of the Sponsors, each Sponsor's respective interest in the Trust Fund based upon each such Sponsor's share of contributions and liabilities, and the Board of Trustees shall promptly take such action as shall be necessary to transfer such assets to the Sponsors.

This Agreement, as it applies to a specific Sponsor, may be terminated at any time by the unanimous consent of the Sponsors (excluding the terminating Sponsor, if applicable), or by the terminating Sponsor. This Agreement shall be immediately terminated with respect to a specific Sponsor upon the dissolution or liquidation of that Sponsor. Upon the termination of the Trust with respect to a specific Sponsor, the portion of the Trust Fund attributable to that Sponsor, as collectively determined by the Sponsors, shall be paid out by the Trustee in accordance with the provisions of Article 4 and the terms of the Plan. Upon such termination, after the satisfaction of all liabilities of such Sponsor to the Sponsor's Members and the Sponsor's share of the expenses related to the Plan and Trust as collectively determined by the Sponsors, any funds remaining in the Trust shall be paid to that Sponsor in a manner that reflects, in the sole and absolute judgment of the Sponsors, that Sponsor's remaining respective interest in the Trust Fund based upon that Sponsor's share of contributions and liabilities, and the Board of Trustees shall take such action as shall be necessary to transfer such assets to that Sponsor as soon as is practicable and in a way that will prevent penalty or any unnecessary loss.

If any principal or income of the Trust is ever paid to or reverts to any Sponsor, other than the County, as provided above, that principal or income will be used by the Sponsor only to fund essential government functions within the meaning of Code Section 115. If any principal or income of the Trust is ever paid to or reverts to the County as provided above, that principal or income will automatically revert to the Reserve Fund for Retiree Health to be used solely for retiree health benefits.

ARTICLE 8 - APPROVAL AND EXERCISE OF POWERS

8.1 APPROVAL OF AGREEMENT. Approval of the Agreement shall be by an ordinance of the County Council introduced and enacted after execution of the Agreement by the County Executive, the Chair of the Board of Trustees of the College, and the Chair of the Board of Trustees of the Library, to be attached upon becoming law as Exhibit B of this Agreement.

8.2 EFFECTIVE DATE OF AGREEMENT. The Agreement shall take effect on the effective date of the ordinance approving the Agreement described in Section 8.1. If the ordinance approving the Agreement is not enacted into law the Agreement shall be void and of no further legal effect.

8.3. EXERCISE OF POWERS. Except as otherwise set forth in this Agreement or, as applicable to the County, as set forth in the ordinance approving the Agreement, the exercise of the powers conferred on the Sponsors by this Agreement shall be as follows:

- (a) The County, by an ordinance passed by the County Council that was introduced by request of the County Executive;
- (b) The College, by a resolution adopted by the Board of Trustees of the College; and
- (c) The Library, by a resolution adopted by the Board of Trustees of the Library.

8.4 ADMINISTRATOR. Each Sponsor shall designate by name or by position an Administrator in the manner set forth in Section 8.3, and the Administrator shall have the power on behalf of a Sponsor to give directions in writing authorizing payments and distributions and to give such certifications as may be required in accordance with Section 4.1.

ARTICLE 9 - GENERAL

9.1 DELIVERY OF DOCUMENTS. The Sponsors shall promptly deliver to the Board of Trustees all documents constituting a Plan document, including any amendments to any such documents that are adopted. The Board of Trustees shall be entitled to rely that any direction it receives from a Sponsor is made pursuant to the terms of such documents and shall be relieved from any liability arising from any such reliance.

9.2 GOVERNING LAW. This Agreement shall be construed, administered and governed in all respects under and by the laws of the State of Maryland.

9.3 NO ASSIGNMENT OF BENEFITS. Except as expressly provided herein, no assets held in the Trust Fund may be assigned or alienated, and the Trustee shall pay all amounts payable hereunder, and shall distribute all assets distributable hereunder, to any person, into the hands of such person and not unto any other person or corporation whatsoever, whether claiming by his or her authority or otherwise; nor may said payments be anticipated. Except as expressly provided herein, the interest of any Member hereunder may not be assigned or encumbered, nor shall it be subject to attachment or other judicial process. However, deposit to the credit of the account of any person in a bank or trust company designated by such person in writing shall be deemed to be the equivalent of payment into the hands of such person.

9.4 EXCLUSIVE BENEFIT. The Trust Fund shall be held by the Board of Trustees for the exclusive purpose of providing benefits to Members and defraying reasonable expenses of administering the Plan and the Trust. Subject to Section 7.2, no part of the Trust shall ever inure to the benefit of the Sponsor prior to the satisfaction of all of such Sponsor's liabilities to all of that Sponsor's Members, except that:

(a) Any contribution made to the Trust Fund by a Sponsor which is attributable to a mistake of fact may be returned to the Sponsor within one (1) year after the contribution was made.

(b) If a return of contributions pursuant to the foregoing is due to a good faith mistake of fact:

(1) The amount which may be returned to the Sponsor is the excess of the amount contributed over the amount that would have been contributed had there not been a mistake of fact; and

(2) Earnings attributable to such excess contribution may not be withdrawn, but losses attributable thereto must reduce the amount to be returned.

9.5 LIMITED EFFECT OF PLAN AND TRUST. Neither the establishment of the Plan nor the Trust, nor any modification thereof, nor the creation of any fund or account, nor the payment of any Plan benefits, shall be construed as giving to any person covered under the Plan or any other person any legal or equitable right against a Trustee, a Sponsor, or any officer or employee thereof, except as may otherwise be provided in the Plan or in the Trust. Under no circumstances shall the terms of employment of any employee of any Sponsor be modified or in any way affected by this Trust.

9.6 PROTECTIVE CLAUSE. Neither the Sponsors nor the Board of Trustees shall be responsible for the failure on the part of any Insurer under the Plan to make payments provided for under a Policy, or for the action of any person which may delay payment or render such a Policy null and void or unenforceable in whole or in part.

9.7 ARBITRATION. Any controversy or claim arising out of or relating to this Agreement or the breach thereof shall be settled by arbitration in accordance with the laws of the Maryland Uniform Arbitration Act and no suit at law or in equity based on such controversy or claim shall be instituted by either party hereto, other than to enforce the award of the arbitrators.

9.8 CONSTRUCTION OF TRUST; COUNTERPARTS. If any provision of this Trust shall be held illegal or invalid for any reason, such determination shall not affect the remaining provisions of the Trust. This Agreement may be executed in any number of counterparts by the individual Trustees after execution by the parties, each of which counterpart shall be deemed an original, and all such counterpart pages, together with this Agreement, shall constitute the complete Agreement among all parties hereto. The parties shall execute the original of the Agreement which shall be submitted with the ordinance approving the Agreement and, upon approval of the Agreement, retained with the ordinance in the custody of the Administrative Officer to the County Council.

9.9 SINGULARS AND PLURALS. Whenever any words are used herein in the singular or plural form, they shall be construed as though they were also used in the other form in all cases where they would so apply.

9.10 HEADINGS. The headings and subheadings of this Trust have been inserted for convenience of reference and are to be ignored in any construction of the provisions hereof.


IN WITNESS WHEREOF, this Trust Agreement has been executed under seal, effective as of the date set forth above in Section 8.2.

BY THE PARTIES:

WITNESS/ATTEST:

Print Name: _____

**ANNE ARUNDEL COUNTY,
MARYLAND**

By:  (SEAL)

Print Name: Steven R. Schuh

Print Title: County Executive

Date: 4/6/15

WITNESS/ATTEST:



Print Name: Taube P. Heddings

**ANNE ARUNDEL COMMUNITY
COLLEGE**

By:  (SEAL)

Print Name: Rev. Dr. Diane R. Dixon-Proctor

Print Title: Chair, Board of Trustees

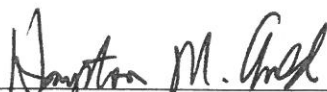
Date: April 3, 2015

WITNESS/ATTEST:



Print Name: Drane D. McPherson

**THE PUBLIC LIBRARY
ASSOCIATION OF ANNAPOLIS AND
ANNE ARUNDEL COUNTY, INC.**

By:  (SEAL)

Print Name: Hampton M. Auld

Print Title: Chief Executive Officer

Date: April 6, 2015

BY THE TRUSTEES:

WITNESS/ATTEST:

Print Name: _____

WITNESS/ATTEST:

Print Name: _____

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TRUSTEE

Print Name: _____

Date: _____

WITNESS/ATTEST:

Print Name: _____

TRUSTEE

Print Name: _____

Date: _____

EXHIBIT A-PARTICIPATING PLANS

As of _____, 2015, the following plans that provide Other Postemployment Benefits are funded through the Trust:

Anne Arundel County Health and Welfare Benefits Plan