ABAG FINANCE AND PERSONNEL COMMITTEE

Thursday, January 19, 2012, 5:00 p.m.
ABAG Conference Room
MetroCenter—8th and Oak Streets
Oakland, CA

Est. Time in Minutes			Recommendation ***
2	1.	**Public Comments**	**Information**
5	2.	**Election of Officers** *Following ABAG's Committee Rules and Procedures, the Committee will elect a Chair and Vice Chair.*	**Action**
3	*3.	**Minutes of the November 17, 2011 Meeting**	**Action**
5	*4.	**Financial Reports – ABAG** *The October and November 2011 Financial reports are enclosed with the agenda packet.* .	**Action**
10	**5.	**Review of Proposed Work Program, Budget and Membership Dues--FY 2012-13** *The Committee will make a recommendation to the Executive Board on the proposed FY 12-13 operating budget and membership dues.*	**Action**
10	*6.	**Resolution to Establish a Trust for ABAG Employees through the California Government Voluntary Employees Beneficiary Association (CALGOVEBA)** *A resolution is required to enable ABAG to adopt and approve the CALGOVEBA Master Trust agreement.*	**Action**
		THE FOLLOWING ITEMS WILL BE DISCUSSED IN CLOSED SESSION PURSUANT TO THE REQUIREMENTS OF THE RALPH M. BROWN ACT.	
15	7.	**Public Employee Performance Evaluation** *Title: Executive Director* *Materials for this item will be mailed under separate cover.*	**Action/ Information**
	8.	**Adjournment**	**Action**

* Attachments enclosed with packet.

*** The Committee may take action on any item on the agenda, which action may be the recommended action, any other action or no action.

ABAG FINANCE AND PERSONNEL COMMITTEE

Summary Minutes

November 17, 2011

Members Present	Jurisdiction
Supervisor Rose Jacobs Gibson, Chair	County of San Mateo
Supervisor Susan Adams	County of Marin
Supervisor David Cortese	County of Santa Clara
Supervisor John Gioia	County of Contra Costa
Mayor Mark Green	City of Union City
Supervisor Scott Haggerty	County of Alameda
Supervisor Barbara Kondylis	County of Solano
Vice Mayor Peter McHugh	City of Milpitas
Councilmember A. Sepi Richardson	City of Brisbane

Members Not in Attendance
None

Officers and Staff Present
Ezra Rapport, Executive Director
Patricia Jones, Assistant Executive Director
Kenneth Moy, Legal Counsel
Herbert Pike, Finance Director
Susan Hsieh, Assistant Finance Director

Guests:
Councilmember Julie Pierce City of Clayton

1) The meeting was called to order at 5:05 p.m.

2) Summary Minutes of the September 15, 2011 meeting were approved.
/M/McHugh/S/Kondylis/C/approved.

3) Pike provided an overview of the August and September 2011 Financial Reports.
/M/McHugh/S/Kondylis/C/approved.

4) The annual Audited Financial Reports as of June 30, 2011 were presented by Pike and Cory Biggs of Maze & Associates. There were no adverse findings and ABAG was in a slightly improved financial improved position over the preceding year.
/M/Adams/S/McHugh/ approved to forward to Executive Board with recommendation to approve.

F&PC AGENDA ITEM #3

5) Pike updated the Committee as to the status of current year dues collection to-date.

6) Rapport updated the Committee as to the current status of the facility MTC has purchased and making plans to occupy.

7) The Committee reviewed the proposed resolution necessary to treat employer-paid employee retirement contributions to CalPERS non-taxable, as had been practice for 17 years. /M/Gioia/S/Haggerty/approved forwarding to the Executive Board with recommendation to approve.

8) Rapport reported on intent to retain Norm Roberts Search Firm to recruit a Deputy Director in an amount not to exceed $40,000.

9) CLOSED SESSION – Conference with Labor Negotiators re SEIU 1021
No reportable action.

10) CLOSED SESSION --Public Employee Performance Evaluation—Executive Director
No reportable action.

11) Meeting adjourned at 6:05 p.m.

F&PC AGENDA ITEM #3

TO: Finance and Personnel Committee

DT: November 31, 2011

FM: Herbert Pike, Finance Director

Re: Financial Reports
--October 2011

The following are highlights of the financial reports for October 2011.

Overall Summary (Figures 3, 4, 7 & 8)
Through October 31st, the Agency's net financial operating gain of about $254 thousand is higher than in previous years, the largest factor being the surplus in indirect overhead to-date attributed to the diversion of accounting personnel away from indirect overhead and charging directly to several new energy projects. The Association's cash balance is almost $1.8 million higher than the end of October the prior year.

Cash on Hand (Figure 1)
Cash on hand increased to $3.29 million as of October 31st from $3.07 million on September 30th. The increase of $219 thousand is attributed primarily to the cyclical increase in accounts receivable that derives from quarterly billing. The October balance includes approximately $1.88 million invested in the Local Agency Investment Fund (LAIF). Currently, ABAG does not hold any other investments. The October 31st cash balance is approximately $1.795 million greater than the prior year.

Receivables (Figure 2)
Receivables from grant and service programs amounted to about $4.45 million on October 31st, an increase of $754 thousand from the month prior. The month to month increase reflects a $1.59 million increase in billed grants receivables offset by a $916 thousand decrease in unbilled receivables. Now into the fourth month of the new fiscal year, the impact of the annual cycle of fiscal year-end close and re-open is subsiding, but the cyclical billing patterns are still in place creating this up and down trend pattern. Receivables are approximately $1.21 million higher than they were a year prior reflecting the higher activity level in the current fiscal year, especially in energy-related grant activity.

Actual vs. Budgeted Expenses (Figure 9)
Total expenses through October 31st, the fourth month (first third) of the new fiscal year, amounted to about $7.71 million, or 27.5 percent, of the adjusted budgeted annual expense of $28.0 million for FY 2011-12. The substantial upward adjustment is due to some large grants (funded through ARRA) that have strict requirements to spend the funds, primarily to contractors, before the end of the current fiscal year.

Actual vs. Budgeted Revenues (Figure 10)
As of October 31st, total revenues amounted to about $7.96 million, or 28.4 percent, of the revised budgeted annual revenue of $28.05 million for FY 11-12.

F&PC AGENDA ITEM #4-A

As of October 31st, both revenues and expenses are below projections for the first four months of FY 2011-12 (33.3 percent). These positions are largely due to the timing of consultant and sub-contractor expenses that are grant funded and for which there is a customary lag between the rendering of the service and the conversion to an expense and receivable when the contractors submit their bills.

Fund Equity (Figure 5)

As of October 31st, general fund equity was approximately $1.33 million, a decrease of $16 thousand from September 30th totals. The Agency's restricted fund equity, consisting of capital, self-insurance, building maintenance and reserves, remained unchanged at $560 thousand. That is $50 thousand over the previous year to reflect the discussed minimum annual reserve increase in reserves of $50 thousand per year.

Indirect Cost (Figure 6)

The Agency's actual indirect cost (overhead) rate was 37.56 percent, or 5.39 percent below target. The lower than expected rate reflects the diversion of substantial central services efforts toward new grants, especially energy grants. Unless new grants are awarded later in the year, it is expected that the grants will end and staff will move toward allocable overhead costs that will cause the rate to rise.

ABAG FINANCIAL REPORTS

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* Composition of Revenues ..... Figure 8
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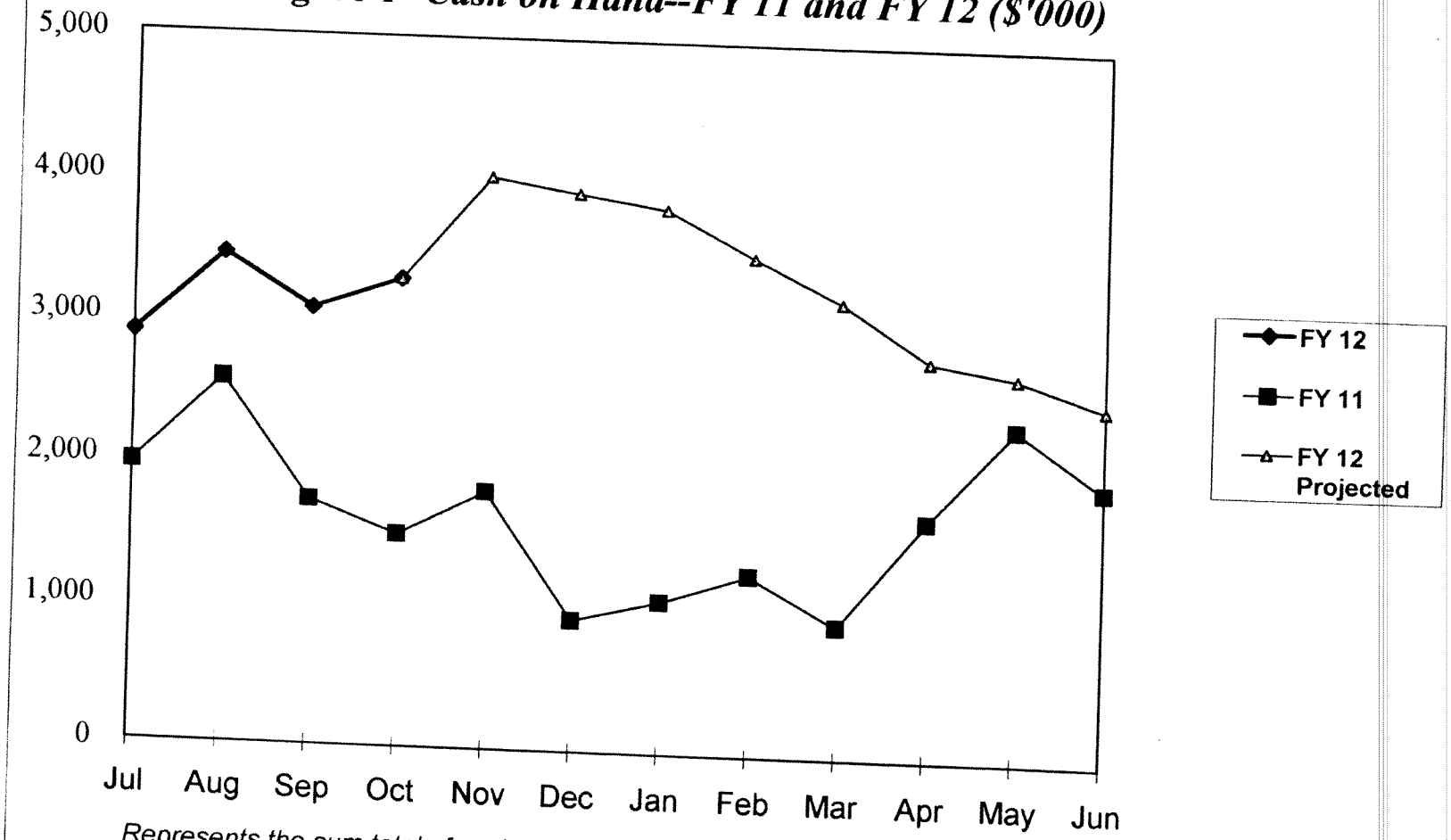
* Actual vs. Budgeted Revenues ..... Figure 10

ABAG Financial Indices

Figure 1--*Cash on Hand--FY 11 and FY 12 ($'000)*

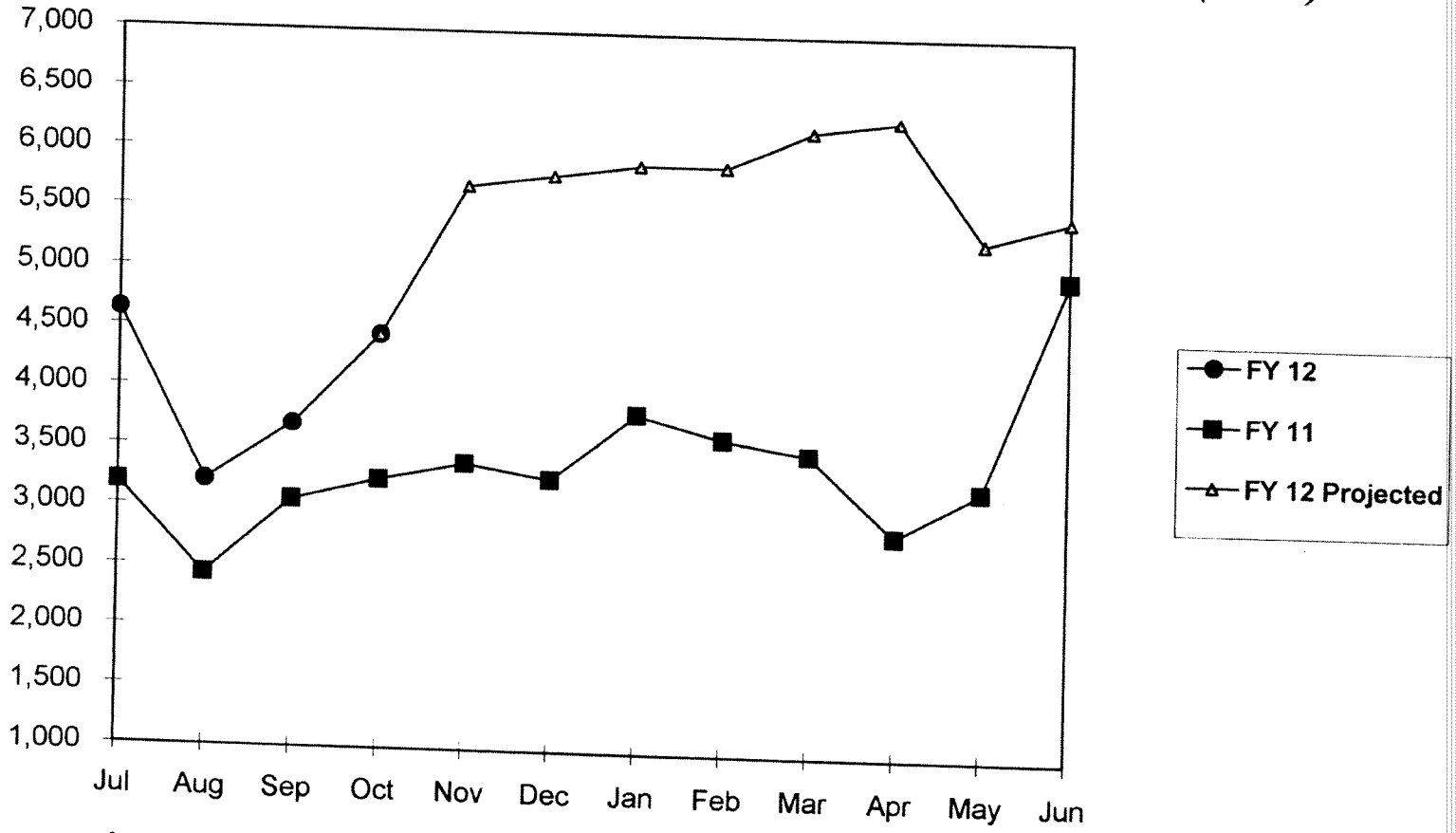


Represents the sum total of cash deposited at our bank and the Local Agency Investment Fund. This chart shows fluctuation patterns of cash on hand for the current and prior fiscal years.

Source: ABAG -INDICES 2011-10.xls

ABAG Financial Indices

Figure 2--*Accounts Receivable--FY 11 and FY 12 ($'000)*

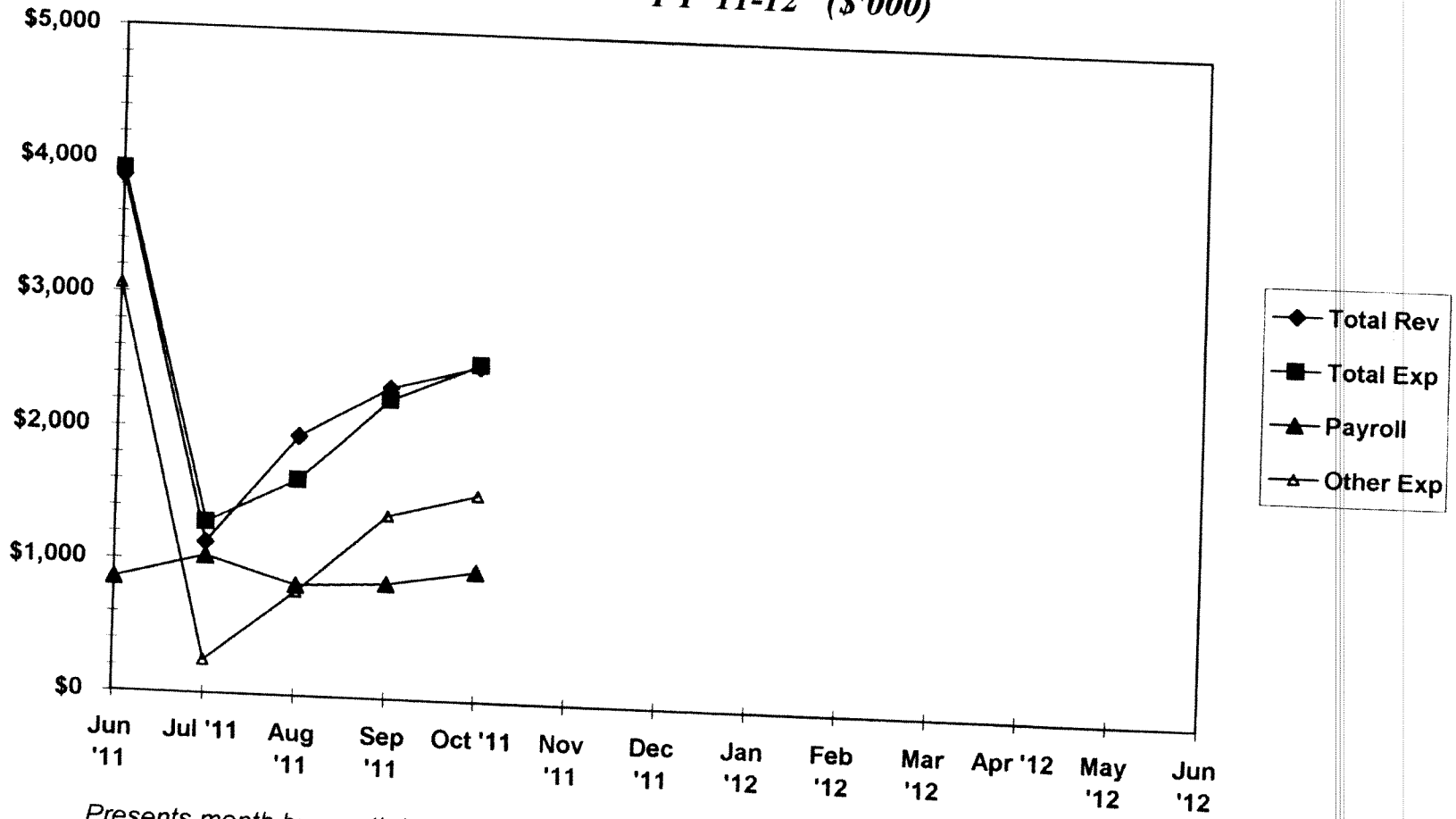


Accounts receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels; usually have about six weeks' worth of annual revenues in receivables.

Source: ABAG -INDICES 2011-10.xls

ABAG Financial Indices

Figure 3--*Current Month Revenues & Expenses*
FY 11-12 ($'000)

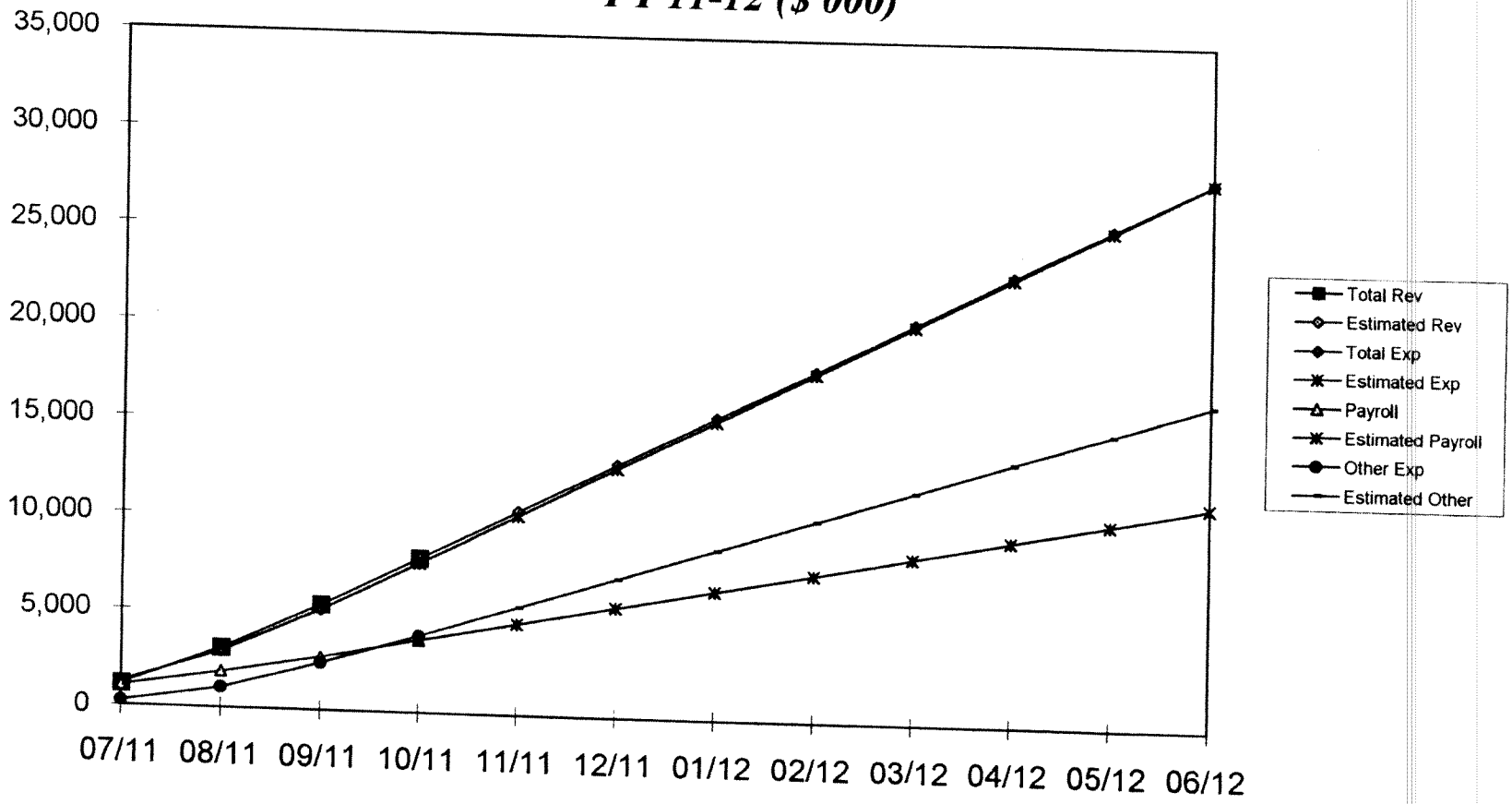


Presents month by month total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall current month net surplus (or deficit) for the Association.

Source: ABAG- INDICES 2011-10.xls

ABAG Financial Indices

Figure 4--Year-to-date Revenues & Expenses
FY 11-12 ($'000)



Presents year-to-date total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall year-to-date net surplus (or deficit) for the Association.

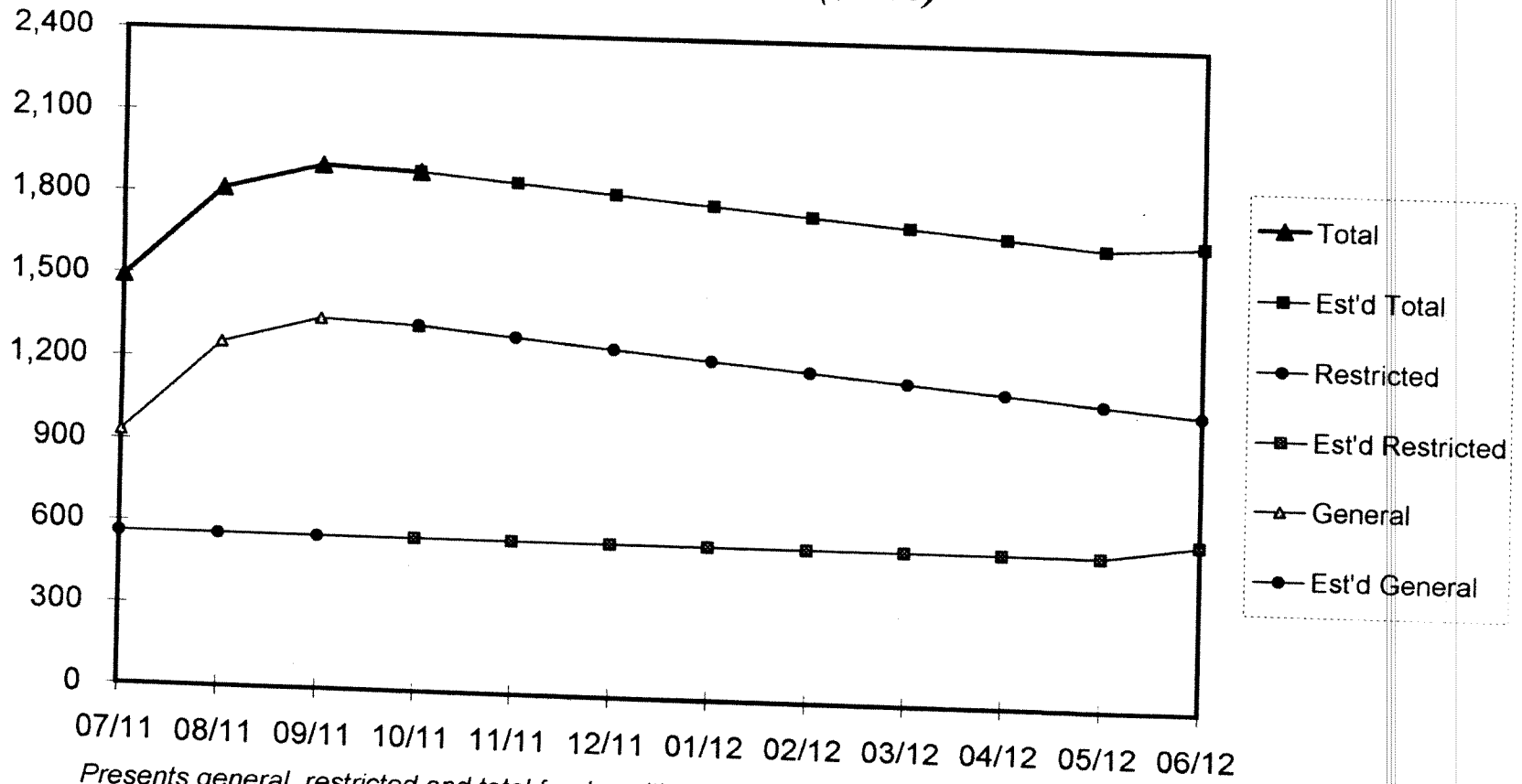
Source: ABAG - INDICES 2011-10.xls

Figure 4

ABAG Financial Indices

Figure 5--*Fund Equity*

FY 11-12 ($'000)

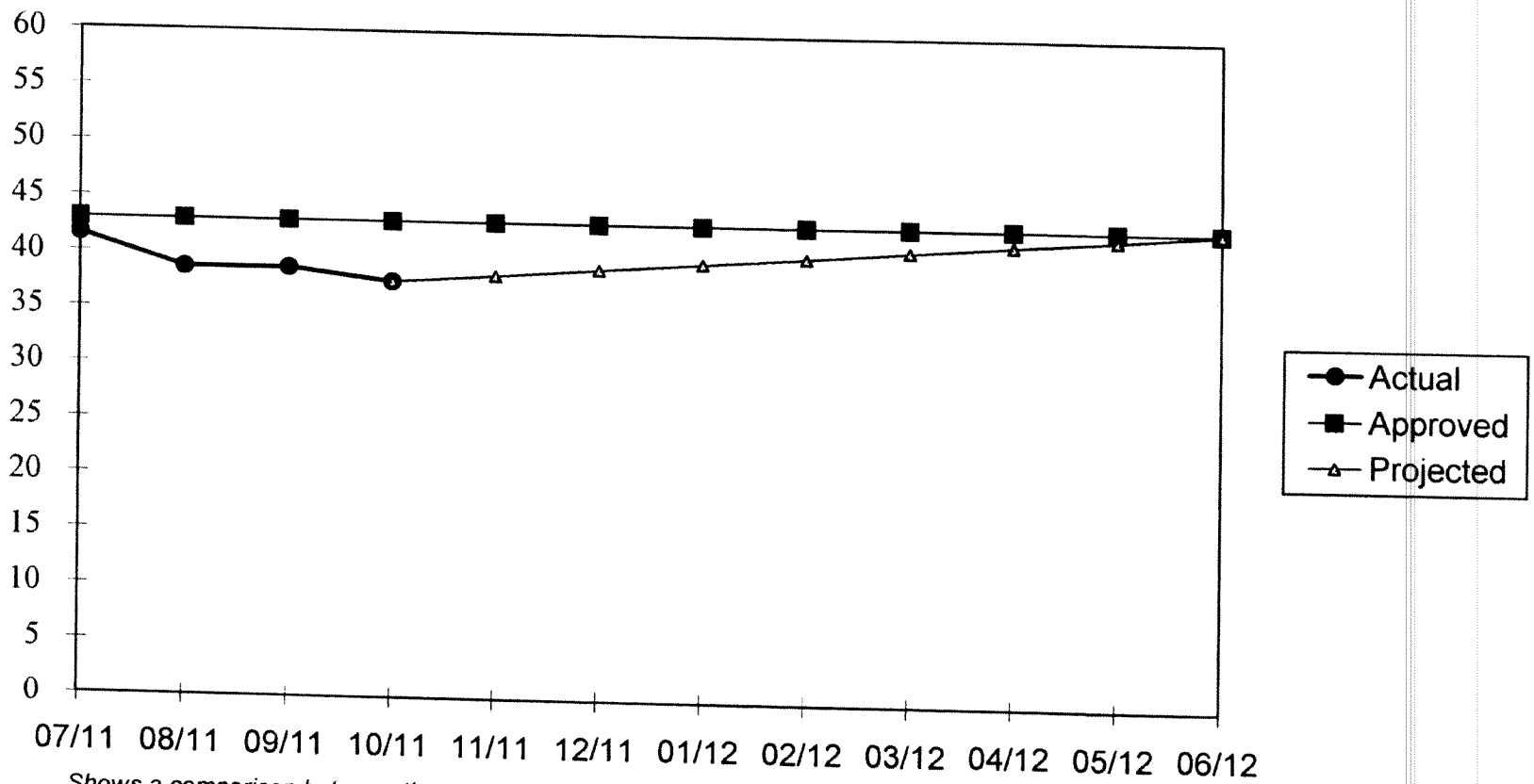


Presents general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvement interest, building maintenance, self-insurance, capital and contingency reserve. These restricted equities represent the Association's equities set aside for specific purposes. Total equity is the sum total of general and restricted equities.

Source: ABAG - INDICES 2011-10.xls

ABAG Financial Indices

Figure 6--*Indirect Cost Rate (% of Direct Labor Cost)*
FY 11-12

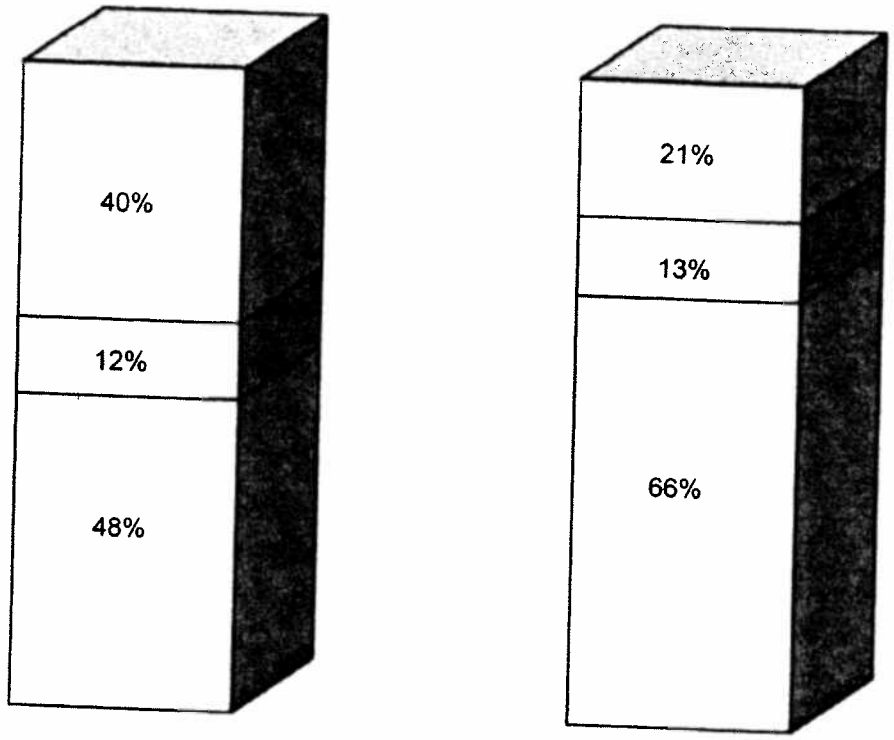


Shows a comparison between the actual indirect cost rate and the approved rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with OMB Circular A-87.

Source: ABAG- INDICES 2011-10.xls

ABAG Financial Indices

Figure 7-- Composition of Expenses FY 11--FY 12
Year to Date
($'000)



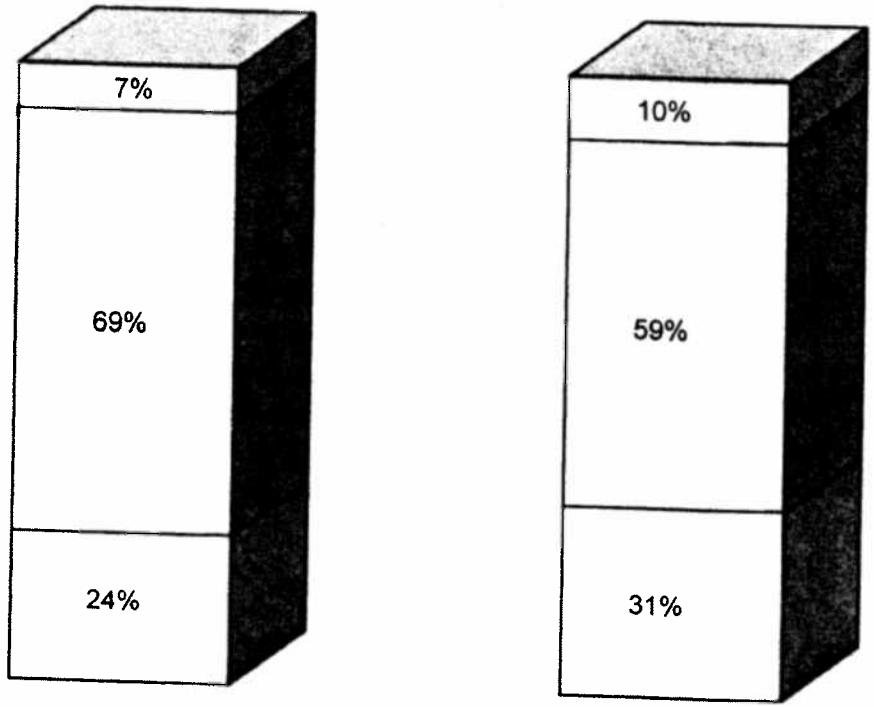
	FY11-12 Expenses (Total $7,707)	FY10-11 Expenses (Total $5,692)
☐ Consultants	$3,057	$1,210
☐ Others	$916	$704
☐ Payroll	$3,734	$3,778

This chart compares expenses for current and prior fiscal year. It groups expenses into three broad categories--payroll costs, consultants and other expenses.

Source: ABAG -INDICES 2011-10.xls

ABAG Financial Indices

Figure 8-- Composition of Revenues FY 11--FY 12
Year to Date
($'000)



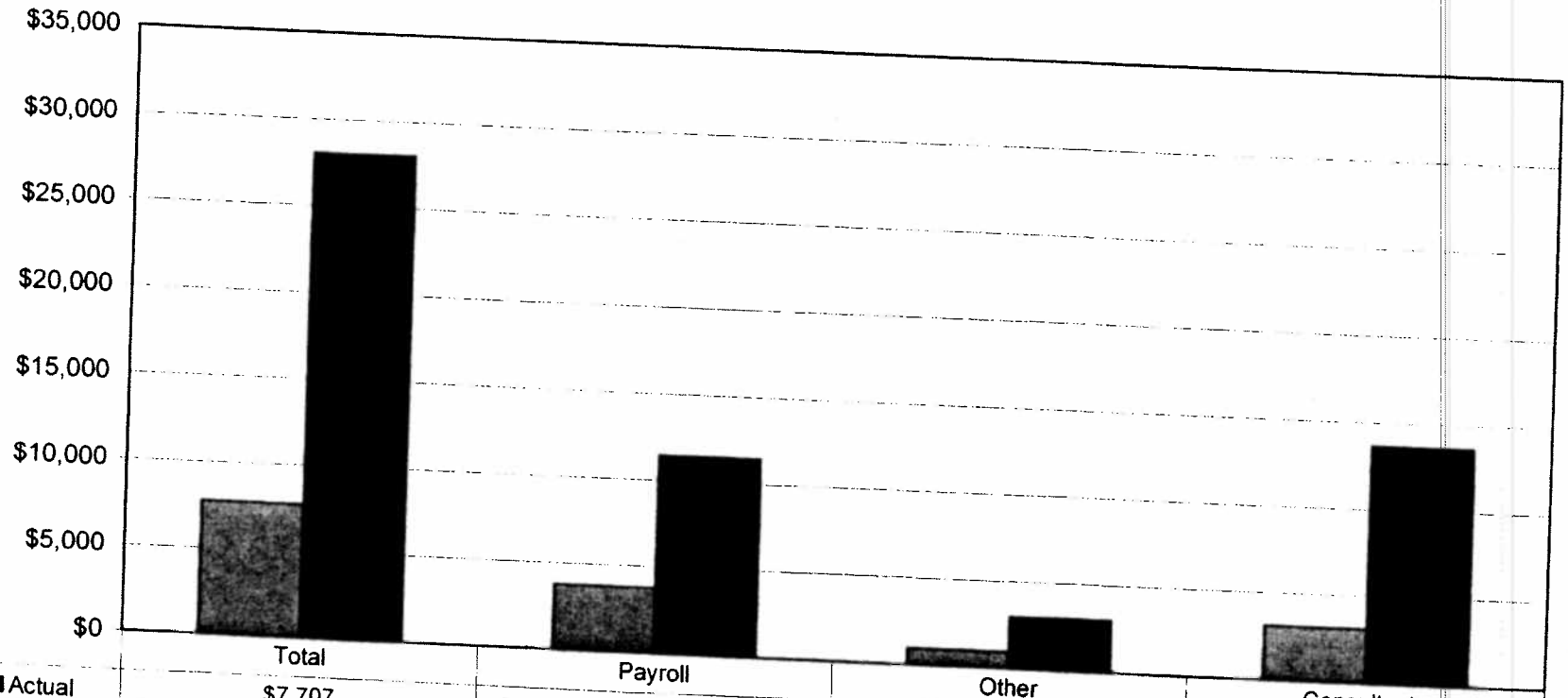
	FY 11-12 Revenue (Total $7,961)	FY 10-11 Revenue (Total $5,603)
☐ Membership	$577	$563
☐ Grants	$5,453	$3,322
☐ Services & Others	$1,931	$1,718

Presents a breakdown of total revenues into four main sources--membership, grants, services and others. This chart compares revenue sources between current and prior fiscal year.

Source: ABAG --- INDICES 2011-10.xls

ABAG Financial Indices

Figure 9--*Actual vs Projected Expenses--FY 11-12*
Year to Date ($'000)



	Total	Payroll	Other	Consultants
Actual	$7,707	$3,734	$916	$3,057
Projected	$28,000	$11,400	$2,950	$13,650

Presents a comparison of actual and budgeted/projected total expenses as well as component categories: payroll costs, consultants and other expenses.

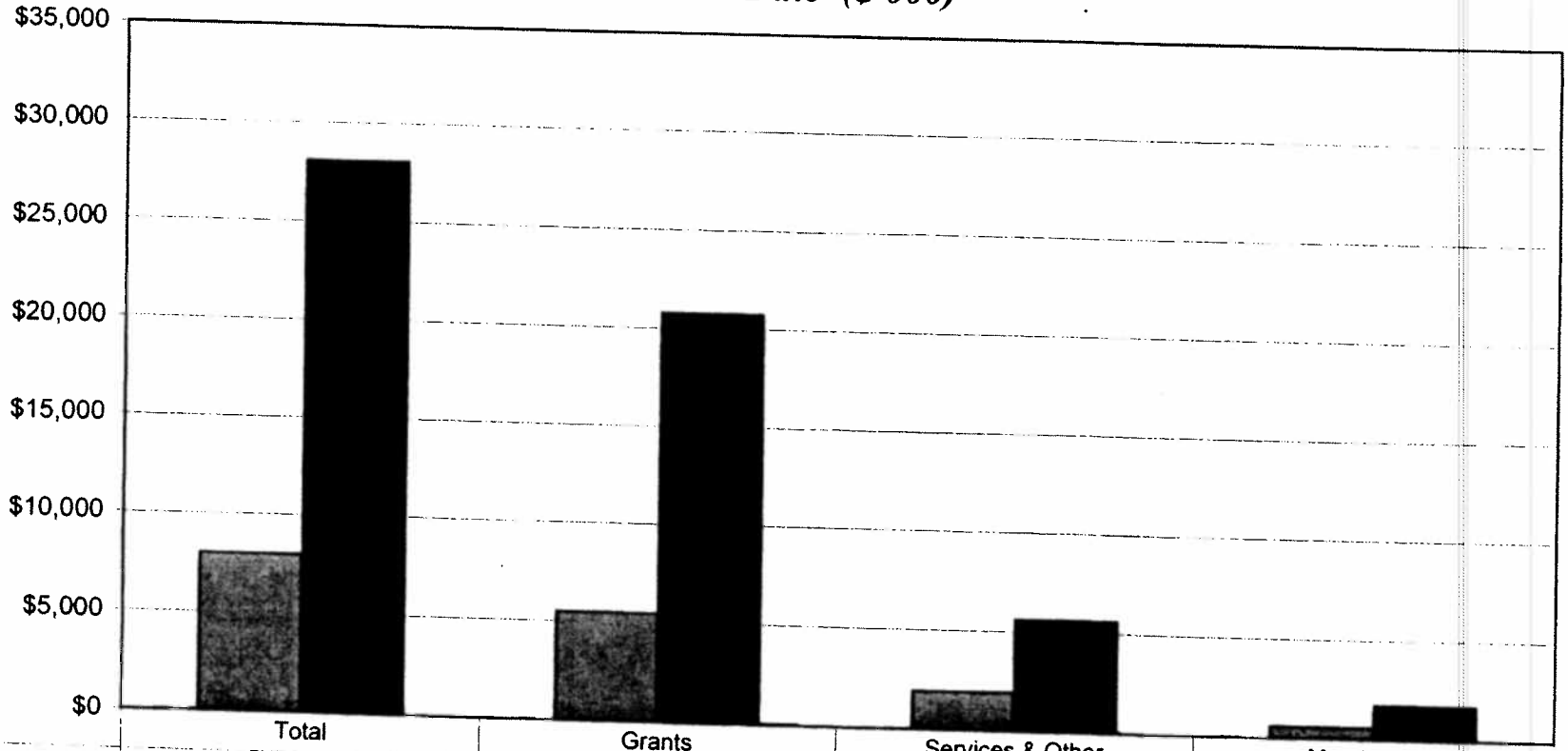
Source: ABAG -- INDICES 2011-10.xls

Figure 9

ABAG Financial Indices

Figure 10--*Actual vs Projected Revenues--FY 11-12*

Year to Date ($'000)



	Total	Grants	Services & Other	Membership
Actual	$7,961	$5,453	$1,931	$577
Projected	$28,050	$20,719	$5,600	$1,731

Presents a comparison of actual and budgeted/projected total revenues as well as component categories: membership dues, grants, services and other.

Source: ABAG --INDICES 2011-10.xls

Figure 10

TO:	Finance and Personnel Committee	DT:	January 3, 2012
FM:	Herbert Pike, Finance Director	Re:	Financial Reports --November 2011

The following are highlights of the financial reports for November 2011.

Overall Summary (Figures 3, 4, 7 & 8)
Through November 30th, the Agency's net financial operating gain of about $197 thousand is higher than in previous years, the largest factor being the surplus in indirect overhead to-date attributed to the diversion of accounting personnel away from indirect overhead and charging directly to several new energy projects. The Association's cash balance is almost $2.2 million higher than the end of November the prior year, but significant declines are expected over the next one to two months as CalPERS liabilities are reconciled.

Cash on Hand (Figure 1)
Cash on hand increased to $4.02 million as of November 30th from $3.29 million on October 31st. The increase of $734 thousand is attributed primarily to the cyclical increase in accounts receivable that derives from quarterly billing. The November balance includes approximately $1.68 million invested in the Local Agency Investment Fund (LAIF). Currently, ABAG does not hold any other investments. The November 30th cash balance is approximately $2.21 million greater than the prior year. However, because of some anticipated large expenses in December led by payment to CalPERS for ABAG's FY 2011-12 OPEB liability of over a half million dollars, delayed payment of CalPERS payments due to their implementation difficulties, and the seasonal decline in billable hours due to a spike in holidays and other leave usage, cash is expected to decline significantly in December.

Receivables (Figure 2)
Receivables from grant and service programs amounted to about $5.67 million on November 30th, an increase of $1.22 million from the month prior. The month to month increase reflects a $912 thousand increase in billed grants receivables in addition to a $341 thousand increase in unbilled receivables. Now into the fifth month of the new fiscal year, most of which is attributed to an influx of contract billings that are working through some energy-related grants. Receivables are approximately $2.28 million higher than they were a year prior reflecting the higher grant activity level in the current fiscal year, especially in energy-related grant activity.

Actual vs. Budgeted Expenses (Figure 9)
Total expenses through November 30th, the fifth month of the new fiscal year, amounted to about $10.42 million, or 37.2 percent, of the adjusted budgeted annual expense of $28.0 million for FY 2011-12. The substantial upward adjustment is due to some large grants (funded through ARRA) that have strict requirements to spend the funds, primarily to contractors, before the end of the current fiscal year.

F&PC AGENDA ITEM #4-B

Actual vs. Budgeted Revenues (Figure 10)
As of November 30th, total revenues amounted to about $10.62 million, or 37.9 percent, of the revised budgeted annual revenue of $28.05 million for FY 11-12.

As of November 30th, both revenues and expenses are below projections for the first five months of FY 2011-12 (41.7 percent). These positions are largely due to the timing of consultant and sub-contractor expenses that are grant funded and for which there is a customary lag between the rendering of the service and the conversion to an expense and receivable when the contractors submit their bills.

Fund Equity (Figure 5)
As of November 30th, general fund equity was approximately $1.28 million, a decrease of $57 thousand from October 31st totals. The Agency's restricted fund equity, consisting of capital, self-insurance, building maintenance and reserves, remained unchanged at $560 thousand. That is $50 thousand over the previous year to reflect the discussed minimum annual reserve increase in reserves of $50 thousand per year.

Indirect Cost (Figure 6)
The Agency's actual indirect cost (overhead) rate was 38.73 percent, or 4.22 percent below target. The lower than expected rate reflects the diversion of substantial central services efforts toward new grants, especially energy grants. Unless new grants are awarded later in the year, it is expected that the grants will end and staff will move toward allocable overhead costs that will cause the rate to rise.

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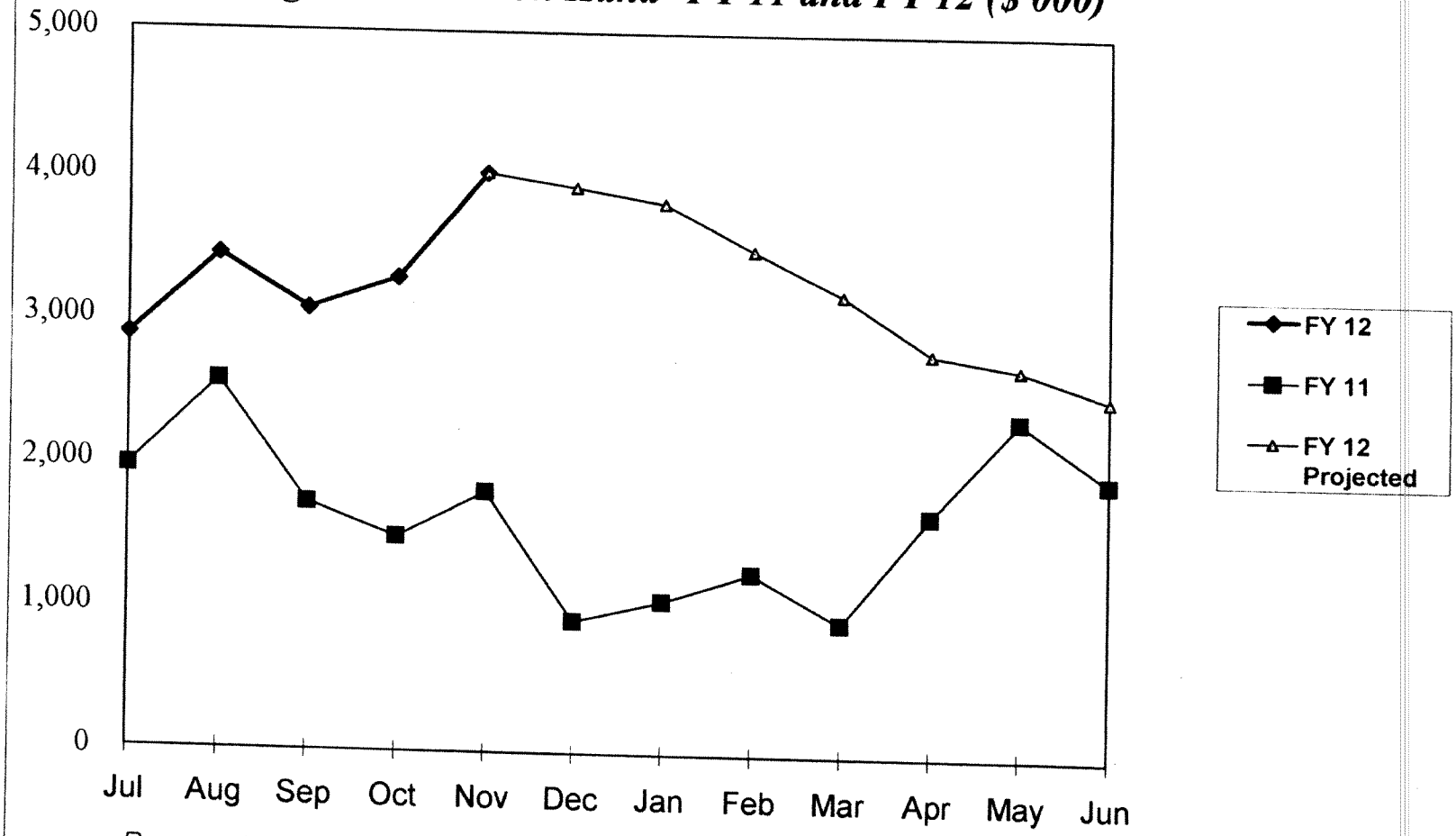
ABAG Financial Indices

Figure 1--*Cash on Hand--FY 11 and FY 12 ($'000)*

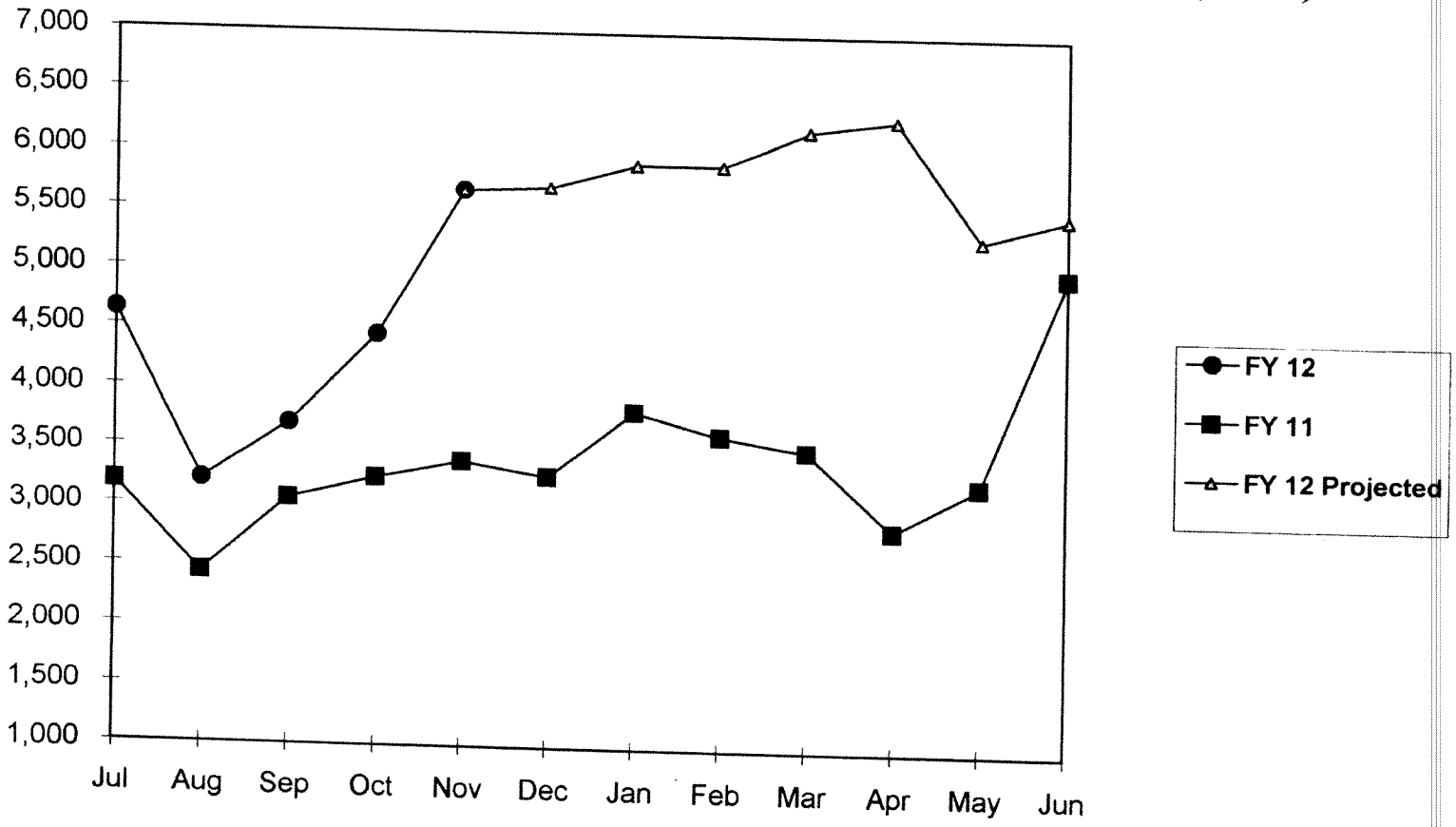


Represents the sum total of cash deposited at our bank and the Local Agency Investment Fund. This chart shows fluctuation patterns of cash on hand for the current and prior fiscal years.

Source: ABAG -INDICES 2011-11.xls

ABAG Financial Indices

Figure 2--*Accounts Receivable--FY 11 and FY 12 ($'000)*

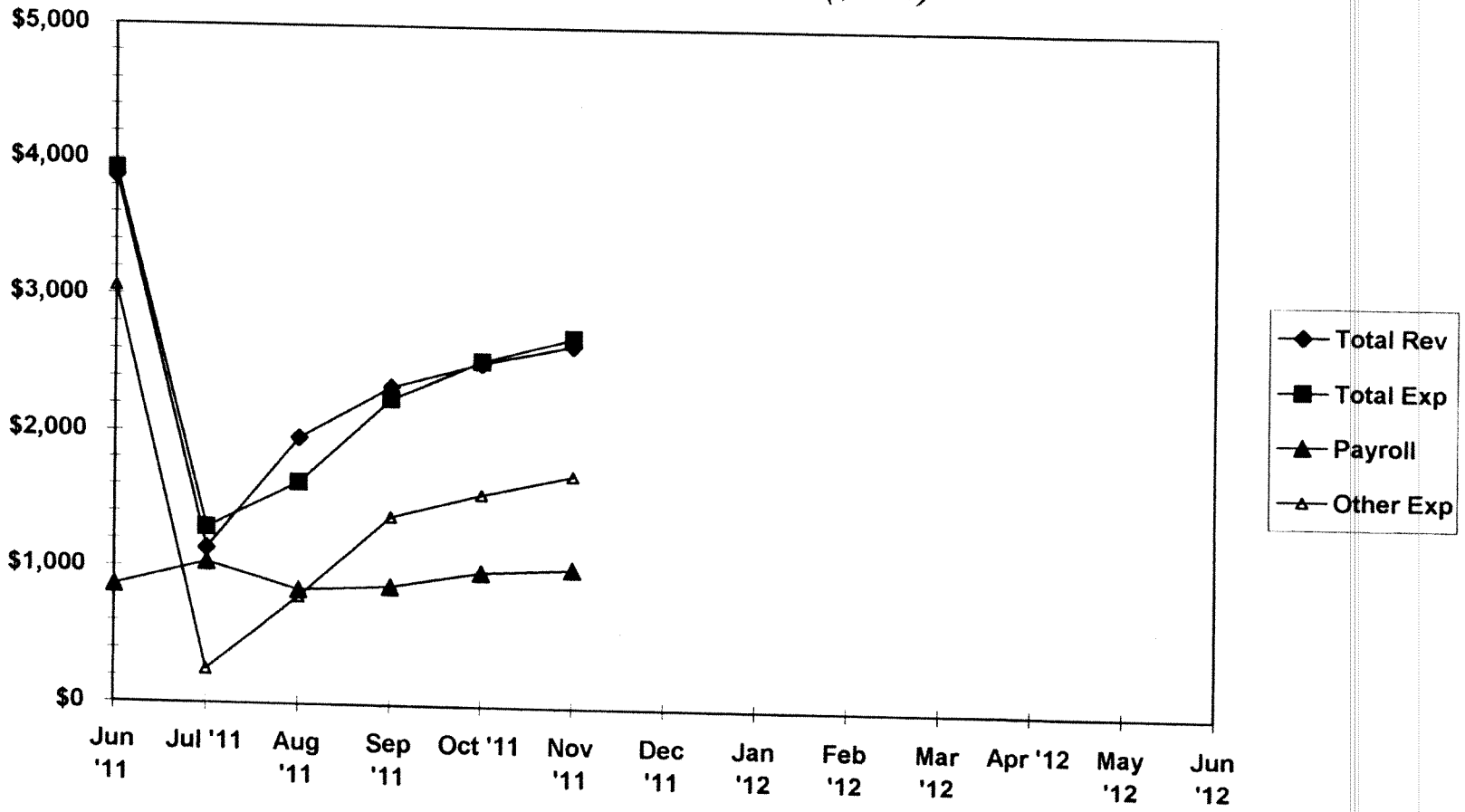


Accounts receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels; usually have about six weeks' worth of annual revenues in receivables.

Source: ABAG -INDICES 2011-11.xls

ABAG Financial Indices

Figure 3--*Current Month Revenues & Expenses*
FY 11-12 ($'000)

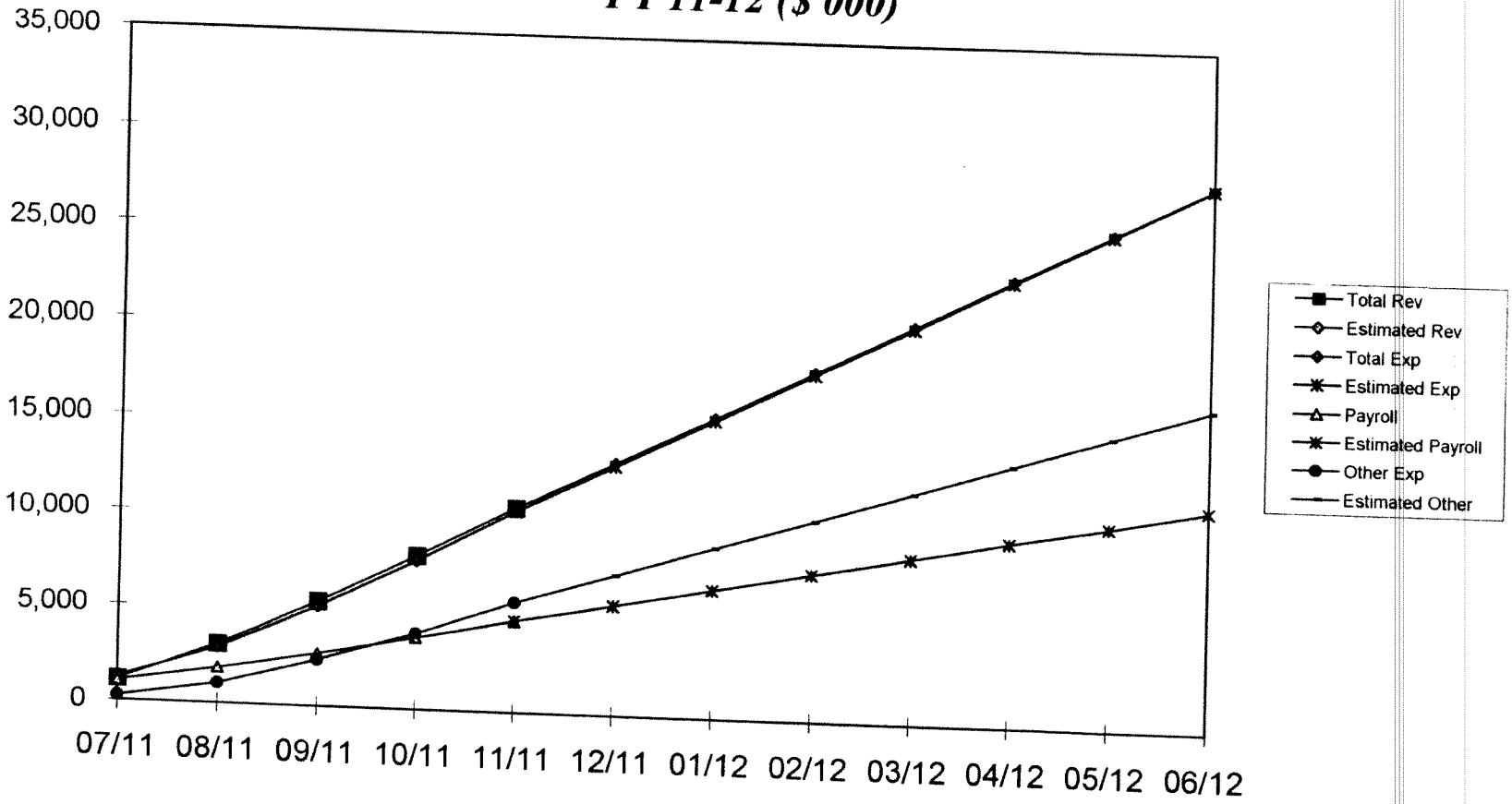


Presents month by month total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall current month net surplus (or deficit) for the Association.

Source: ABAG- INDICES 2011-11.xls

ABAG Financial Indices

Figure 4--Year-to-date Revenues & Expenses
FY 11-12 ($'000)



Presents year-to-date total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall year-to-date net surplus (or deficit) for the Association.

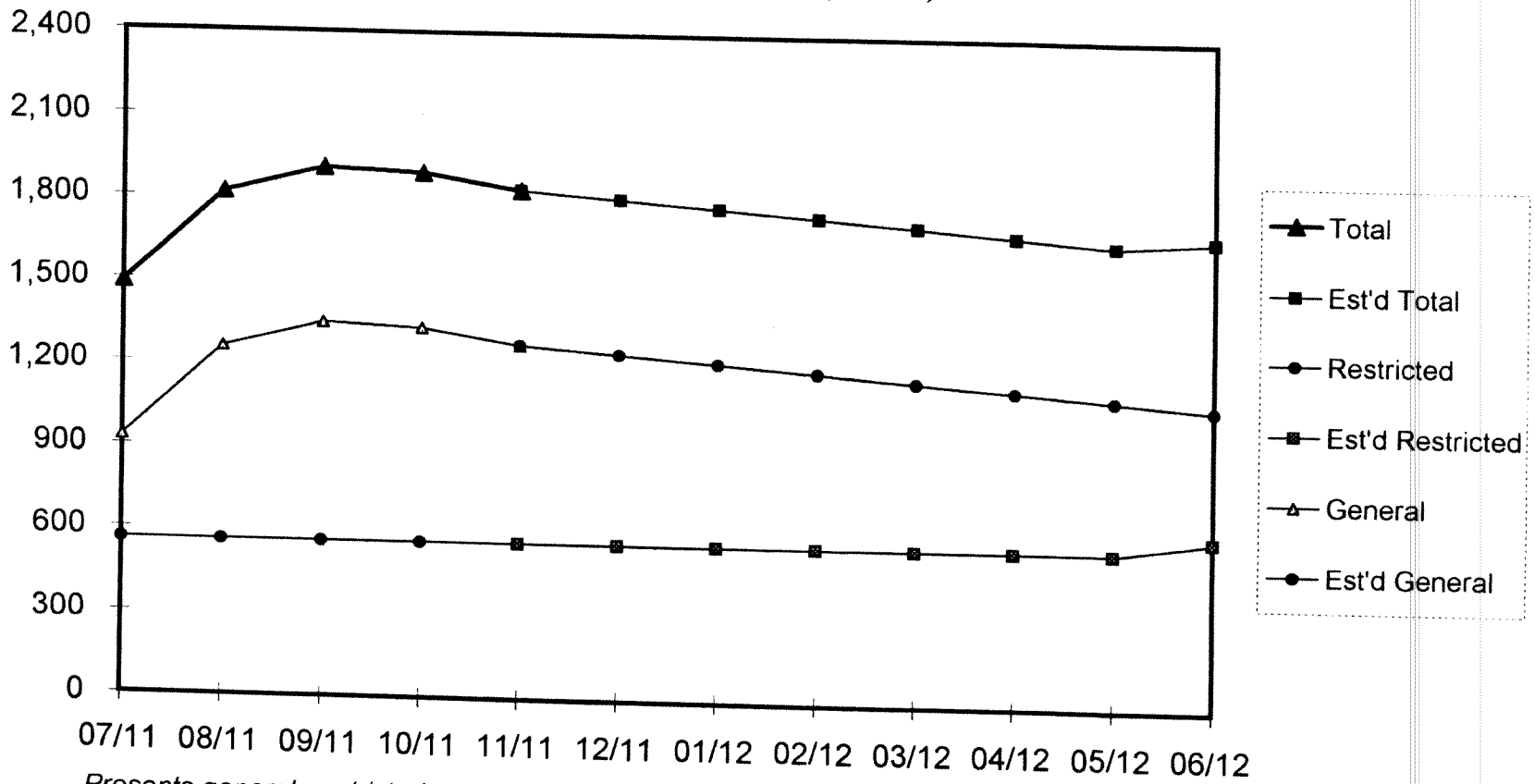
Source: ABAG - INDICES 2011-11.xls

Figure 4

ABAG Financial Indices

Figure 5--*Fund Equity*

FY 11-12 ($'000)

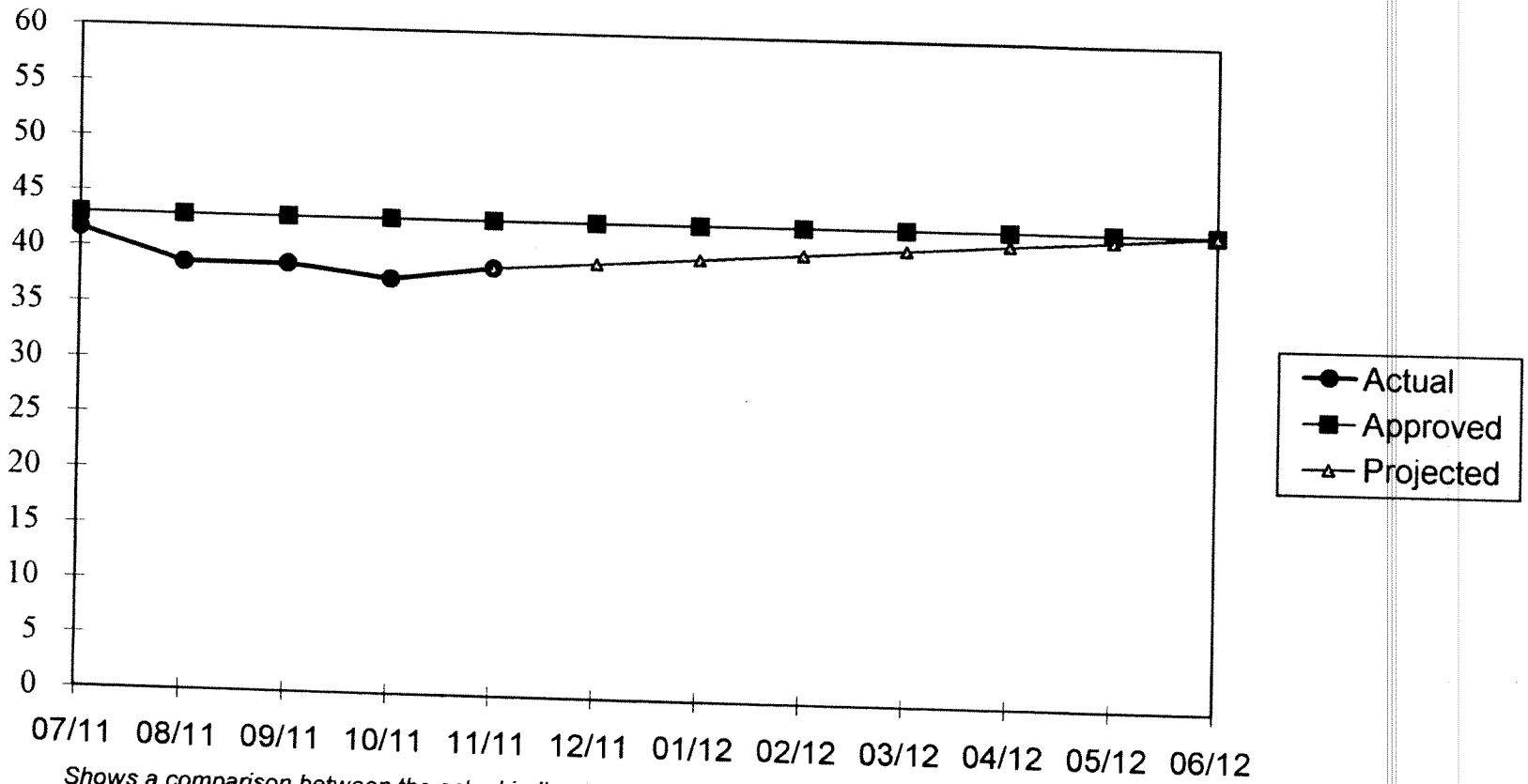


Presents general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvement interest, building maintenance, self-insurance, capital and contingency reserve. These restricted equities represent the Association's equities set aside for specific purposes. Total equity is the sum total of general and restricted equities.

Source: ABAG - INDICES 2011-11.xls

ABAG Financial Indices

Figure 6--*Indirect Cost Rate (% of Direct Labor Cost)*
FY 11-12

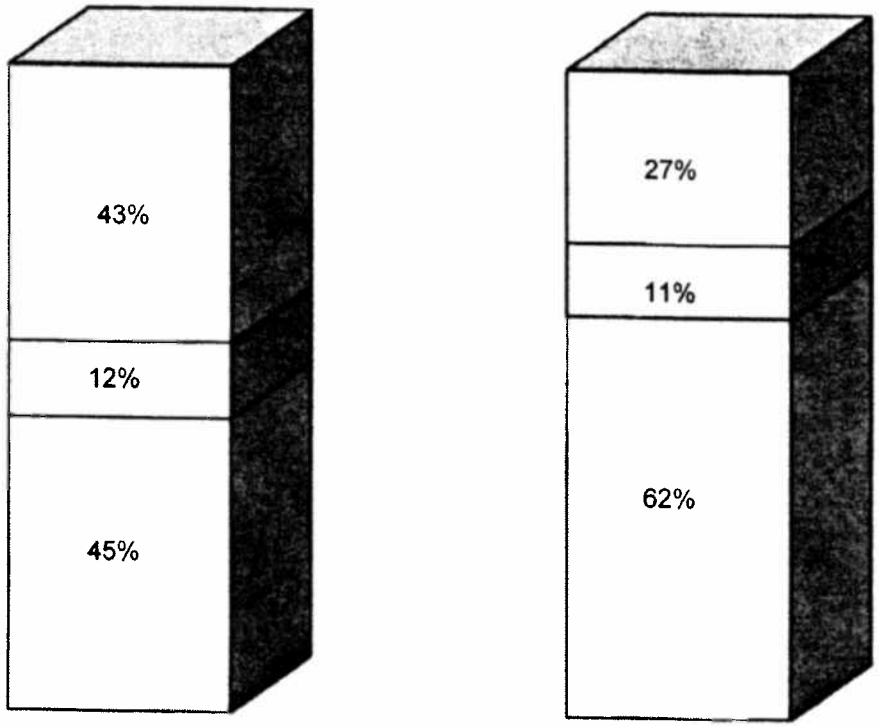


Shows a comparison between the actual indirect cost rate and the approved rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with OMB Circular A-87.

Source: ABAG- INDICES 2011-11.xls

ABAG Financial Indices

Figure 7-- Composition of Expenses FY 11--FY 12
Year to Date
($'000)



	FY11-12 Expenses (Total $10,423)	FY10-11 Expenses (Total $7,419)
☐ Consultants	$4,458	$1,979
☐ Others	$1,217	$841
☐ Payroll	$4,748	$4,599

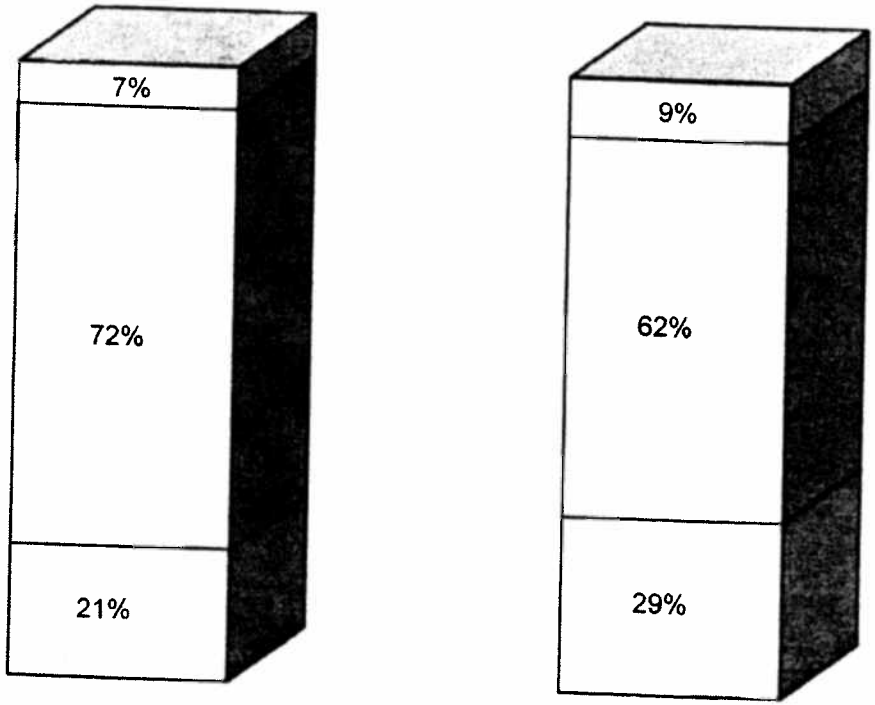
This chart compares expenses for current and prior fiscal year. It groups expenses into three broad categories--payroll costs, consultants and other expenses.

Source: ABAG -INDICES 2011-11.xls

Figure 7

ABAG Financial Indices

Figure 8-- Composition of Revenues FY 11–FY 12
Year to Date
($'000)



	FY 11-12 Revenue (Total $10,620)	FY 10-11 Revenue (Total $7,320)
☐ Membership	$721	$704
☐ Grants	$7,611	$4,523
☐ Services & Others	$2,288	$2,093

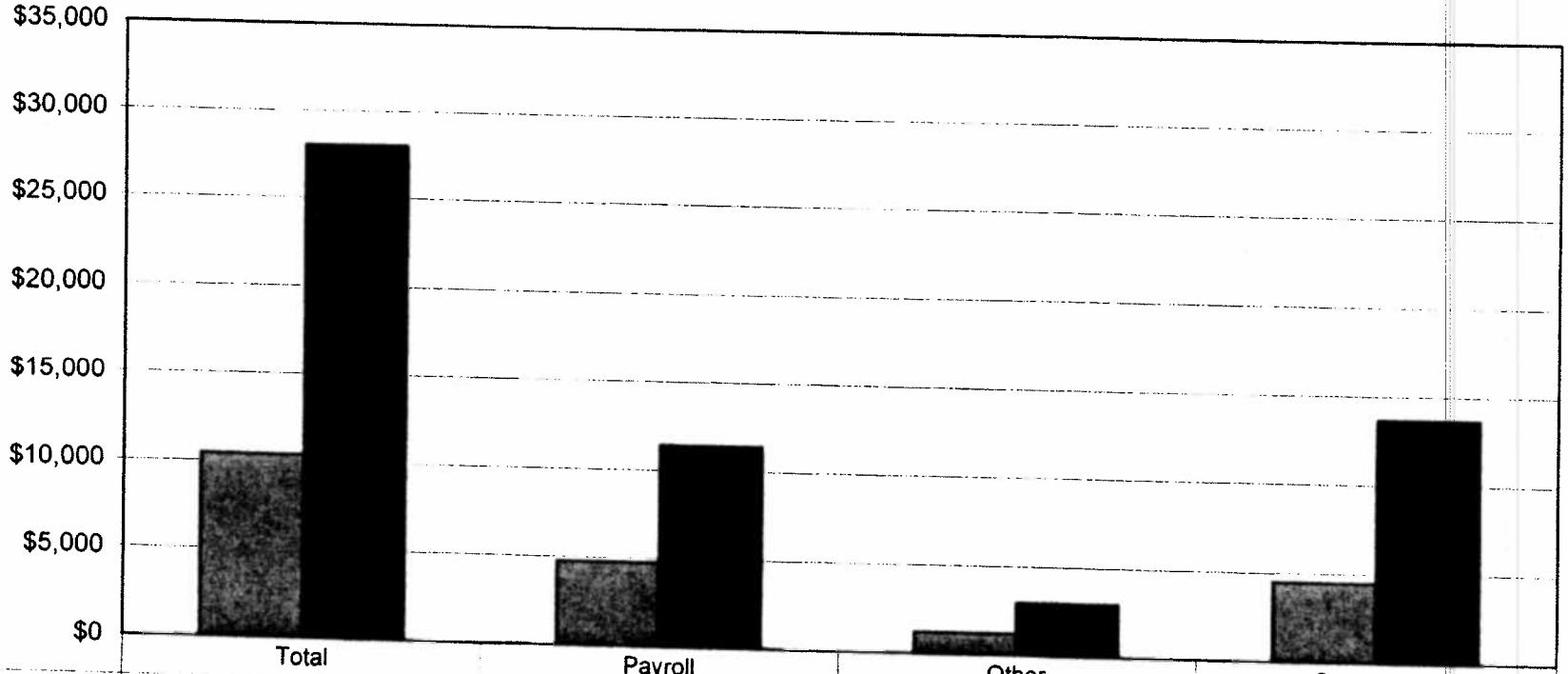
Presents a breakdown of total revenues into four main sources--membership, grants, services and others. This chart compares revenue sources between current and prior fiscal year.

Source: ABAG --- INDICES 2011-11.xls

ABAG Financial Indices

Figure 9--*Actual vs Projected Expenses--FY 11-12*

Year to Date ($'000)



	Total	Payroll	Other	Consultants
Actual	$10,423	$4,748	$1,217	$4,458
Projected	$28,000	$11,400	$2,950	$13,650

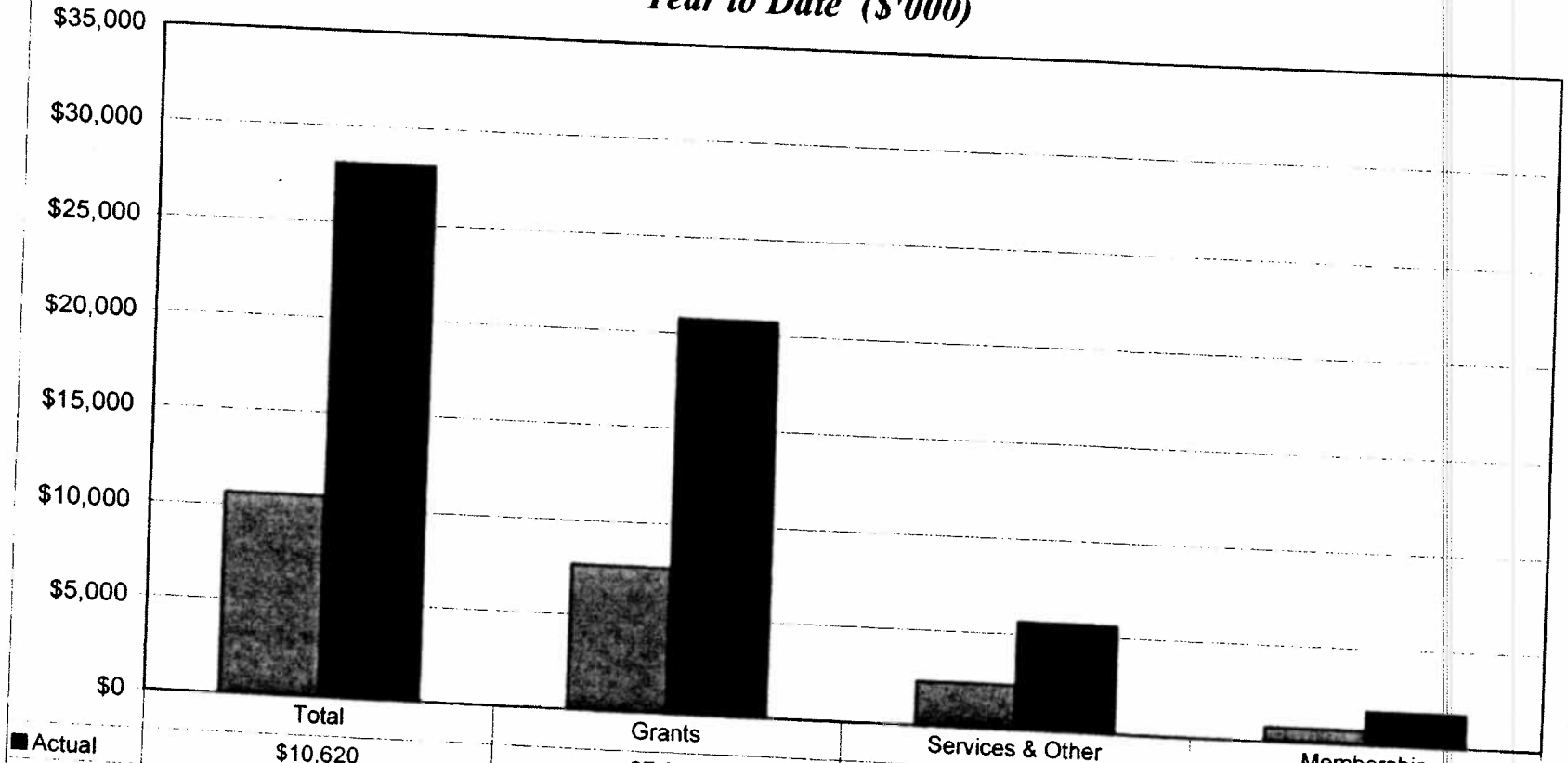
Presents a comparison of actual and budgeted/projected total expenses as well as component categories: payroll costs, consultants and other expenses.

Source: ABAG -- INDICES 2011-11.xls

ABAG Financial Indices

Figure 10--*Actual vs Projected Revenues--FY 11-12*

Year to Date ($'000)



	Total	Grants	Services & Other	Membership
Actual	$10,620	$7,611	$2,288	$721
Projected	$28,050	$20,719	$5,600	$1,731

Presents a comparison of actual and budgeted/projected total revenues as well as component categories: membership dues, grants, services and other.

Source: ABAG –INDICES 2011-11.xls

Figure 10

ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE & PERSONNEL COMMITTEE

TABLE OF FINANCIAL REPORT DATA ELEMENTS
(thousands of dollars)

Index Description	Nov-11	Oct-11	Sep-11	Nov-10	Oct-10
Cash	4,022	3,288	3,069	1,808	1,493
Receivables	5,671	4,451	3,697	3,389	3,244
Payroll Cost-YTD	4,748	3,734	2,750	4,599	3,778
-Month	1,014	984	873	821	865
Total Other Expense-YTD	5,675	3,973	2,420	2,820	1,914
-Month	1,702	1,553	1,379	906	762
Total Expenses-YTD	10,423	7,707	5,170	7,419	5,692
-Month	2,716	2,537	2,252	1,727	1,627
Total Revenues-YTD	10,620	7,961	5,440	7,320	5,603
-Month	2,659	2,521	2,343	1,717	1,594
Fund Equity-General	1,276	1,333	1,349	922	932
Total Restricted	560	560	560	510	510
Total Fund Equity	1,836	1,893	1,909	1,432	1,442
Approved Overhead	42.95%	42.95%	42.95%	42.95%	42.95%
Overhead Rate %	38.73%	37.56%	38.73%	45.51%	46.09%

F&PC AGENDA ITEM #4-C

To: ABAG Finance and Personnel Committee

From: Herbert L. Pike, Finance Director

Date: January 19, 2012

Subject: **Adoption of California Government Voluntary Employees Beneficiary Association Restated Master Trust**

Staff Recommendation

Staff recommends that the Finance & Personnel Committee refer the attached resolution to the Executive Board with a recommendation to approve.

Background

Under the current Memorandum of Understanding between ABAG and SEIU Local 1021 representing its employees, ABAG established a new tier for the provision of retiree medical benefits. To transition from the previous designated benefit toward a designated contribution plan for retiree health benefits, it was agreed that for any employee hired on or after July 1, 2009, ABAG would "contribute 1.5% of the employee's base salary toward a Medical After Retirement Account (MARA) for each full month the employee is employed with ABAG." Existing employees hired prior to July 1, 2009 would be offered a one-time opportunity to opt into the new plan.

Because of the very small number of initial participants, it was difficult identifying providers to consider providing services to ABAG, and for those that did, the minimum monthly administrative fees required by the providers were prohibitive. After considerable search, the California Government Voluntary Employees Beneficiary Association (CALGOVEBA) appears to offer the services desired at a reasonable price.

In negotiating with CALGOVEBA, the initial administrative fee to set up the plan for ABAG would be $3,500 with the on-going monthly administrative fees funded entirely from the individual employees' accounts. ABAG would be a member of CALGOVEBA and would have a voice with other government agencies regarding CALGOVEBA policies and programs.

The only complication resulting from the negotiations was that the Internal Revenue Service, in discussions about the prospective plan, indicated they would not approve a percentage of income basis of contribution. In lieu thereof, we are suggesting that ABAG negotiate with the union an amendment through a side-letter agreeing that a rate of $100 per month which equates to the 1.5% previously committed.

ABAG has been holding as an accounts payable the 1.5% collected to date, and we will deposit those proceeds, with interest, to the individual accounts under CALGOVEBA as soon as the agreement is ratified.

Attachments:

-Resolution re Adoption of CALGOVEBA Restated Master Trust
-CALGOVEBA Restated Master Trust document
-Benefits Trust Plan Document

ASSOCIATION OF BAY AREA GOVERNMENTS
EXECUTIVE BOARD

RESOLUTION NO. 03-12

ADOPTION OF CALIFORNIA GOVERNMENT VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION RESTATED MASTER TRUST (MASTER TRUST)

WHEREAS, the Association of Bay Area Governments (ABAG) is a joint powers agency formed pursuant to the Joint Powers Act, California Government Code §§ 6500, et seq.; and

WHEREAS, the current Memorandum of Understanding between ABAG and SEIU Local 1021 established a Medical After Retirement Account (MARA) plan to replace the preexisting retiree medical benefit plan; and

WHEREAS, California Government Voluntary Employees Beneficiary Association (CALGOVEBA) provides services that would support and implement ABAG's MARA.

ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 03-12

NOW, THEREFORE, BE IT RESOLVED, that the Executive Board of the Association of Bay Area Governments herby:

1) adopts and approves the California Government Voluntary Employees Beneficiary Association Restated Master Trust (Master Trust); and

2) authorizes the Executive Director of ABAG, or his designee, to execute the Master Trust, the California Government Voluntary Employee Benefits Trust Plan Document, and any other document reasonably necessary to implementing the MARA, and to appoint ABAG's representative to the Trust Committee of the Master Trust.

The foregoing adopted by the Executive Board this 19th day of January, 2012.

Mark Luce
President

Certification of Executive Board Approval

I, the undersigned, the appointed and qualified Secretary-Treasurer of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Executive Board of the Association at a duly called meeting held on the 19th day of January, 2012.

Ezra Rapport
Secretary-Treasurer

Approved as To Legal Form

Kenneth K. Moy
Legal Counsel

CALIFORNIA GOVERNMENT
VOLUNTARY EMPLOYEES BENEFICIARY ASSOCIATION
RESTATED MASTER TRUST

TRUST restated in its entirety as of the _____ by and between The Association of Bay Area Governments, a forming public agency in the State of California (hereinafter referred to as the "Plan Sponsor "), and the Trust Committee of the California Government VEBA", (hereinafter referred to as the "Trustee").

W I T N E S S E T H:

WHEREAS, the Plan Sponsor adopts the California Government VEBA hereinafter referred to as the "Plan", and

WHEREAS, the Plan constitutes the California Government Voluntary Employees Beneficiary Association ("California Government VEBA"); and

WHEREAS, under the Plan, funds will from time to time be contributed to the Trustee, which funds, as and when received by the Trustee will constitute a trust fund to be held for the benefit of the Members and retirees of the Plan of the Plan Sponsor having a right to benefits, pursuant to the provisions of the Plan, and such funds will be invested by the Trustee pursuant to directions by the Plan Sponsor and/or Investment Manager as provided herein; and

WHEREAS, other Plan Sponsors may adopt this Trust as a Master Trust, subject to the provisions of this Trust, to hold assets for the purpose of funding plans that are a part of the California Government VEBA; and

WHEREAS, the Plan Sponsor having entered into this Master Trust with the Trustee for the purpose of holding the assets under the Master Trust attributable to the Plan and other amounts contributed thereunder; and

WHEREAS, the assets and funds to be held in the Master Trust established hereby, as and when received by the Trustee, will constitute a trust fund to be held for the benefit of the members of the Plan and their beneficiaries; and

WHEREAS, the Plan Sponsor desires the Trustee to hold such assets and funds and the Trustee is willing to hold such assets and funds pursuant to the terms of this trust; and

WHEREAS, the master trust is intended to qualify as a "Voluntary Employees Beneficiary Association" within the meaning of Section 501(c)(9) of the Internal Revenue Code, and

WHEREAS, the master trust is intended for the purpose of creating a fund to provide for the payment of benefits that qualify under Section 501(c)(9) of the Internal Revenue Code to participating Members, including their dependents, and their designated beneficiaries.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants herein contained, the Plan Sponsor and the Trustee do hereby agree as follows:

1. The Plan Sponsor hereby adopts the California Government Voluntary Employees Beneficiary Association (VEBA) Trust (the "Master Trust") as a trust to fund the benefits provided by the Plan. All such money and property, all investments made therewith and proceeds thereof and all earnings and profits thereon, less the payments or other distributions which, at the time of reference, shall have been made by the Trustee, as authorized herein, are referred to herein as the "Fund" and shall be held by the Trustee, in trust, and dealt with in accordance with the provisions of this Trust.

2. Any other California public agency may become a Plan Sponsor and adopt the Master Trust to fund benefits provided under the California Government VEBA Plan if the Plan Sponsor adopts the Master Trust and the Plan in order to provide benefits that are funded from the Master Trust and the Trustee agrees to such adoption. The assets of each Plan Sponsor and the investment earnings thereon shall be available only to pay benefits to employees of that Plan Sponsor and any costs or fees associated with the administration of the Plan covered under this Trust.

3. It is intended that the Master Trust shall meet the requirements of Internal Revenue Code section 501(c)(9). All contributions hereunder and all assets and earnings of the Master Trust are solely and irrevocably dedicated to the payment of benefits that qualify under section 501(c)(9) of the Internal Revenue Code.

Effective January 1, 2008 and as referenced herein, the Trustee shall consist of a Trust Committee. The Trust Committee shall consist of one person designated by each Plan Sponsor. Such designated individual shall assume the responsibility of Trustee. Executive Trustees shall review all information and documents related to the daily activities and operation of the Trust and Plan and shall make recommendation(s) to the full body of Trustees forming the Trust Committee on such related matters. Such Executive Trustees shall consist of the ten original Plan Sponsors and five additional Trustees voted by the full body of Trustees to such position. A vote to fill the five additional positions shall occur every three years. Procedures to fill vacancies which occur in the interim periods shall be developed by the Trust Committee.

4. Trustee shall appoint a Trust Administrator and any and all successor Trust Administrators which shall have the authority to act for a Plan Sponsor in all matters relating to the establishment and maintenance of the Plan and Trust except those relating to the investment and management of the assets of the Trust and such other matters as are reserved to the Plan Sponsor or the Trustee under the provisions of this Trust. Without limiting the generality of the foregoing, the Trust Administrator shall have the following specific powers:

   A. To contract for and delegate the administration of the Plan to one or more administrators, subject to approval of the Trustee.
   B. To determine from time to time the benefits to be provided for participants under the Plan.
   C. To retain professional advisors, including auditors and legal advisors to provide services to the Trust.
   D. To prepare necessary filing with the state and federal government.

5. Responsibility for the management and control of the assets of the Plans which are held under the Master Trust as a funding medium (including the power to acquire or dispose of such assets) is vested in the Plan Sponsor, and/or in such one or more investment managers described in Article 13a who are appointed by the Plan

Sponsor. That portion of the Fund for which the Plan Sponsor shall have such responsibility is hereinafter referred to as the "Plan Sponsor-Directed Fund." Any portion of the Fund over which an Investment Manager shall have such responsibility is hereinafter referred to as an "Investment Manager-Directed Fund." Allocations of assets of the Fund between or among any Plan Sponsor-Directed or Investment-Manager Directed Funds shall be determined by the Plan Sponsor. For efficiency or convenience of investment or administration, the Fund or any such Plan Sponsor-Directed or Investment Manager-Directed Fund may be divided into such one or more sub-funds as the Plan Sponsor or the Trustee may deem advisable.

6. The Trust Administrator shall maintain a separate account reflecting the equitable share in the Fund of each Plan Sponsor. For this purpose, the Trustee shall determine the value of the assets of the Fund as of the last day of each calendar quarter and as of such other dates as the Trustee may deem appropriate or on which the Plan Sponsor and the Trustee may agree. Assets shall be valued at their market values at the close of business on the date of valuation, or, in absence of readily accessible market values, at such values as the Trustee shall determine in accordance with methods consistently followed and uniformly applied. Anything herein to the contrary notwithstanding, with respect to assets constituting part of a Directed Fund hereunder, the Trustee may rely, for all purposes of this Trust, including for the purpose of determining the value of such assets as of any quarterly or other valuation date, on any certified appraisal or other form of valuation submitted to it by the Investment Manager(s). The Trustee may also rely on Assets reported by an Insurer in conjunction with contracts issued by that Insurer. Any amount paid from the Master Trust which is specifically allocable to a particular Plan Sponsor shall be charged against the equitable share of such Plan Sponsor; any amount paid from the Master Trust which is allocable to all of the Plan Sponsors shall be charged against the individual Plan Sponsor assets on a pro-rata basis.

7. The Trustee shall not be required to maintain any separate records or accounts with respect to any Plan Sponsor or any participant in (or beneficiary of) any Plan Sponsor, and any such records or accounts required to be maintained pursuant to the

terms of any such Plan shall be maintained by the Plan Sponsor or by the appropriate committee directly charged with such responsibility.

8. By entering into this Trust, the Trustee does not assume any responsibility or undertake any duty to enforce payment of any contribution under any collective bargaining agreement, any responsibility for the adequacy of the Fund or the funding standards adopted by any Plan Sponsor to meet or discharge any liabilities under such agreement or standard, or any responsibility under the terms of this Trust for the management or control of any Discretionary or Directed Funds. Except as may otherwise be required by law, no duties or obligations shall be imposed upon the Trustee unless they have been specifically undertaken by the express terms of this Trust.

9. The Trustee shall receive any contributions paid to it in cash or in other property acceptable to it. All contributions so received, together with the income therefrom and any other increment thereon, shall be held by the Trustee pursuant to the terms of this Trust without distinction between principal and income. The Trustee shall not be responsible for the collection of any contributions to the Plans.

10. The Trustee may from time to time consult with counsel, who may be counsel to the Plan Sponsor, with respect to any question arising as to the construction of this Trust or any action to be taken hereunder and the Trustee shall be fully protected, to the extent permitted by law, in acting in good faith upon the advice of counsel.

11. Subject to the provisions of Article 12 hereof, the Trustee from time to time upon receipt of written notice from the Trust Administrator, may make payments out of the Trust Fund to such persons, in such manner, in such amounts and for such purposes, including the payment of expenses of the Plan and the purchase of life insurance and/or annuity contracts, as may be specified by the Trust Administrator. Except as may otherwise be required by law, the Trustee shall be under no liability for any payment made by it pursuant to a written direction of the Trust Administrator and

shall be under no duty to make inquiries as to whether any payment directed by the Trust Administrator is made pursuant to the provisions of the Plan.

12. Notwithstanding anything to the contrary contained in this Trust or in any amendment thereto, it shall be impossible, at any time prior to the satisfaction of all liabilities with respect to the members under the Plans or their beneficiaries, for any part of the Fund, other than such part as is required to pay taxes and expenses of administration, to be used for or diverted to purposes other than for the exclusive benefit of the members under the Plans or their beneficiaries.

13. Unless otherwise prohibited by law or otherwise specified herein, the Trustee shall have the following powers and authority with respect to the Trust Fund:

    a. To invest and reinvest, as directed by the Plan Sponsor and/or the Investment Manager, the principal and income of the Fund and keep the Fund invested without distinction between principal and income, in such securities or in such property, real or personal (whether or not income producing), wherever situated, including, but not limited to, life insurance, contracts, stocks, common or preferred; any mutual or other funds maintained or established by the Trustee or any affiliate thereof; bonds and mortgages and other evidence of indebtedness or ownership in any common, collective or commingled trust fund maintained by the Trustee, as the same may be amended from time to time, and during any period when such funds are used, the instrument establishing such fund shall constitute a part of this Trust. In making such directed investments, the Trustee shall not be restricted to securities or other property of the character authorized or required by applicable law from time to time for trust investments. The Plan Sponsor and/or Investment Manager shall direct the Trustee in writing as to the asset allocation or percentage mix of types of investments to be used by the Trustee for the investment of the Trust Fund, and as to specific investments to be made by the Trustee of amounts in the Trust Fund. To the extent permitted by law, the Trustee shall not be liable and shall be held harmless and indemnified by the Plan Sponsor for any losses

incurred in connection with the Trust Fund caused by its reliance thereon. Such losses may be either actual realized losses or losses in the nature of "lost investment opportunity."

b. To settle, compromise or submit to arbitration any claims, debts or damages, due or owing to or from the Master Trust, to commence or defend suits or legal proceedings and to represent the Master Trust in all suits or legal proceedings in any court of law or before any other body or tribunal.

c. To exercise any conversion privilege and/or subscription right available in connection with any securities or other property at any time held by it; to oppose or to consent to the reorganization, consolidation, merger or readjustment of the finances of any corporation, company or association, or to the sale, mortgage, pledge or lease of the property of any corporation, company or association any of the securities of which may from time to time be held by it and do any act with reference thereto, including the exercise of options, the making of trusts or subscriptions, and the payment of expenses, assessments or subscriptions, which may be deemed necessary or advisable in connection therewith, and to hold and retain any securities or other property which it may so require.

d. To exercise, personally or by general or by limited power of attorney, any rights, including the right to vote, appurtenant to any securities or other property held by it at any time.

e. To hold part or all of the Funds uninvested.

f. To employ and unemploy agents, including the Trust Administrator, counsel, and auditor and to pay from the Trust Fund their reasonable expenses and compensation.

g. To register any securities held by it hereunder in its own name or in the name of a nominee with or without the addition of words indicating that such securities are held in a fiduciary capacity and to hold any securities in bearer form.

h. To make, execute and deliver, as Trustee, any and all deeds, leases, mortgages, conveyances, waivers, releases or other instruments in writing necessary or desirable for the accomplishment of any of the foregoing powers.

i. To deposit any part of the Fund in interest bearing account deposits maintained by the Trustee.

j. Generally to do all acts, whether or not expressly authorized, which the Trustee may deem necessary or desirable for the protection of the Trust Fund.

14. The Plan Sponsor reserves the right to retain the services of one or more persons or firms for the management of (including the power to acquire and dispose of) all or any part of the Fund, provided that each of such persons or firms is registered as an investment advisor under the Investment Advisors Act of 1940, is a bank (as defined in that Act), or is an insurance company qualified to manage, acquire or dispose of trust assets under the laws of more than one state, and provided that each of such persons or firms has acknowledged in writing that he is a fiduciary with respect to the Plan; in such event, the investment manager or managers so retained (the "Investment Manger(s)") shall have the same investment powers and duties as the Trustee, and the Trustee shall not be liable for the acts or omissions of such Investment Manager(s), nor shall it be under any obligation to invest or otherwise manage any Trust Fund assets which are subject to the management of such Investment Manager(s).

15. The Trustee shall pay out of the Fund all personal property taxes, income taxes and other taxes of any and all kinds levied or assessed under existing or future laws against the Trust Fund.

16. The Trustee shall, within 90 days after the close of each calendar year, and within 90 days after the removal or resignation of the Trustee or the termination of the Trust or Plan, render accounts of its transactions to the Trust Administrator and Plan Sponsor. The Trust Administrator and Plan Sponsor may make exceptions to such accounts by an instrument in writing delivered to the Trustee. In the absence of the filing in writing with the Trustee of exceptions or objections to any such account within ninety (90) days of the rendering, shall be deemed to have been approved, the Trustee shall be released, relieved and discharged with respect to all matters and things set forth in such account as though such account had been settled by the decree of a court of competent jurisdiction. The Trustee shall keep accurate and detailed accounts of all

investments, receipts, disbursements and other transactions hereunder for the Fund (including any Discretionary or Directed Fund) and all accounts, books and records relating thereto shall be open to inspection and audit at all reasonable times by any persons designated by the Trustee or Trust Administrator. Except as the Retirement Security Act of 1974, as amended ("ERISA"), provides otherwise, no person other than the Plan Sponsor may bring any action against the Trustee with respect to the Trust or their actions as Trustee. The Trustee shall from time to time permit an independent public accountant selected by the Plan Administrator (except one to whom the Trustee has reasonable objection) to have access during ordinary business hours to such records as may be necessary to audit the Trustee's accounts.

17. The Trustee shall be fully protected in relying upon notice from the Trust Administrator with respect to any instruction, direction or approval of the Trust Administrator, and protected also in relying upon a notice from the Trust Administrator as to the person or persons who are authorized to direct payments from the Trust Fund and in continuing to rely upon such notice until a subsequent notice is filed with the Trustee.

The Trustee shall be fully protected in acting upon any instrument, certificates or paper believed by it to be genuine and to be signed or presented by the proper person or persons, and the Trustee shall be under no duty to make any investigation or inquiry as to any statement contained in writing, but may accept the same as conclusive evidence of the truth and accuracy of the statements therein contained.

The Trustee shall not be liable for the application of any part of the Fund if payments are made in accordance with the approved written instructions of the Trust Administrator as herein provided, nor shall the Trustee be responsible for the adequacy of the Fund to meet and discharge any and all payments and liabilities under the Plan. All persons dealing with the Trustee are released from inquiry into the decision or authority of the Trustee and from seeing to the application of any moneys, securities or other property paid or delivered to the Trustee.

The Trust Administrator and Plan Sponsor hereby agree to hold the Trustee harmless from and against all taxes, expenses (including counsel fees), liabilities, claims, damages, actions, suits or other charges incurred by or assessed against it as a successor Trustee, as a direct or indirect result of any act or omission of a predecessor Trustee or any other person charged under any trust affecting Fund assets for investment responsibilities with respect to such assets.

The Plan Sponsor agrees to hold harmless and indemnify the Trustee, to the fullest extent permitted under applicable law, for any and all liabilities of any kind incurred by the Trustee in connection with the Plans and Trust (a) relating to periods of time prior to the Trustee's becoming Trustee, or (b) relating to periods of time while the Trustee is Trustee if such liability is not due to the Trustee's negligence, willful misconduct, or breach of its fiduciary duties.

18. The Trustee may resign at any time by giving sixty (60) days written notice to the Trust Administrator. In the case of the resignation or removal of the Trustee, the Trust Administrator immediately shall appoint a successor Trustee. If for any reason the Trust Administrator cannot or does not act in the event of the resignation or removal of the Trustee, as hereinabove provided, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee. Any expenses incurred by the Trustee in connection therewith shall be paid from the Fund as an expense of administration. Any successor Trustee shall have the same powers and duties as those conferred upon the Trustee named in this Trust. The removal of the Trustee and the appointment of a new Trustee shall be by written instrument delivered to the Trustee.

19. This Trust, subject to the provisions of Article 1 may be amended by the Trustee at any time or from time to time and in any manner and the provisions of any such amendment may be made applicable to the Fund as constituted at the time of the amendment as well as to the part of the Fund subsequently acquired; provided, however, that no such amendment shall increase the duties of the Trustee without its

consent. Any amendment shall be by a written instrument adopted by the Trustee.

20. This Trust and the trust created hereby may be terminated at any time by the Trustee, and upon such termination, the Fund shall be paid out by the Trustee as and when directed by the Trust Administrator in accordance with the provisions of Article 12 hereof.

21. The Trust Administrator shall provide the Trustee with copies of all documents constituting a Plan at the time the Trust is executed by a Plan Sponsor, as provided in Article 2, and all other documents amending or supplementing a participating Plan promptly upon their adoption. The Trustee shall be entitled to rely upon the Trust Administrator's attention to this obligation and shall be under no duty to inquire of the Trust Administrator as to the existence of any documents not provided by the Trust Administrator hereunder. The Trustee is bound and acknowledges that it is a fiduciary with respect to the Master Trust and the participating Plans and by the fiduciary responsibility provisions of ERISA as applicable to governmental plans. The provisions of ERISA are expressly made applicable to the provisions of this Master Trust in order to ensure that the Master Trust meets the control requirements for a VEBA under the provisions of 501(c)(9) of the Internal Revenue Code.

22. To the extent consistent with the provisions of ERISA, this Agreement and the trust created hereby shall be construed, regulated and administered under the laws of the State of California, and the Trustee shall be liable to account only in the courts of the State. All contributions to the Trustee shall be deemed to take place in the State of California. Unless the provisions of ERISA provide otherwise, the Trustee may at any time initiate an action or proceeding for the settlement of its accounts or for instructions, and the only necessary party defendant to such action or proceeding shall be the Employer except that the Trustee may, if it so elects, bring in as parties defendant any person or persons.

IN WITNESS WHEREOF, this instrument has been executed as of the day and year first above written.

SPONSOR

ATTEST:

_____

By:_____

Name:

Title:

Date: _____

TRUSTEE:

ATTEST:

Trust Committee

_____

By: _____

Name:

Title:

Date:

CALIFORNIA GOVERNMENT VOLUNTARY EMPLOYEE BENEFITS TRUST PLAN DOCUMENT

This Plan is adopted as restated as of _____ by _____, (the "Plan Sponsor") and, together with the trust established to hold the assets of the Plan, evidences the Voluntary Employees' Beneficiary Association established by the Plan Sponsor for the benefit of its eligible employees.

RECITALS

WHEREAS, the Plan Sponsor wishes to establish a comprehensive integrated program under which the Plan Sponsor, other Plan Sponsors, and collective bargaining units can negotiate for a variety of health and welfare benefits for its Employees; and,

WHEREAS, such comprehensive program, known as the California Government Voluntary Employee Beneficiary Association was implemented to effect economies of scale through the commingling of assets for investment purposes and centralizing of administrative services to provide the Plan Sponsors with a cost effective vehicle through which to offer benefits to their Employees; and,

WHEREAS, it is the intent of the Plan Sponsor to establish a Voluntary Employees' Beneficiary Association ("VEBA") Plan as an integral part of California Government Voluntary Employees' Beneficiary Association Trust; and,

WHEREAS, the Plan Sponsor will provide for a Trust to hold the funds of the VEBA for the benefits specified in this Plan under and in accordance with this Plan and,

WHEREAS, the Plan Sponsor intends that the Plan hereby established, when taken together with the Trust, shall constitute a Voluntary Employees' Beneficiary Association under Section 501(c)(9) of the Internal Revenue Code of 1986, as amended (the "Code";)

NOW, THEREFORE, in consideration of the foregoing, the Plan Sponsor adopts the following Plan:

Article I
Name & Documents

1.1 Name. The name of this Plan shall be the California Government VEBA Plan (the "Plan"). It is established pursuant to the provisions of Code Section 501 (c)(9), and together with the Trust adopted to fund the benefits evidences the Plan Sponsor's intent to form a VEBA.

1.2 Plan Documents. This Plan, together with the Trust Agreement shall constitute the entire Plan. This Plan document together with such negotiated collective bargaining agreement(s), political body resolutions, and/or other documents establishing rates of contribution, eligibility and participation within the Plan shall compose the entire plan.

Article II
Definitions

2.1 "Beneficiary": A person or persons who are entitled to receive benefits under the Plan and who are identified in a form prescribed by the Trust Administrator.

2.2 "Contributions": Amounts deposited in the Trust pursuant to the terms of a collective bargaining agreement, political body resolution, Plan Sponsor personnel practices, or other document(s) establishing rates of contribution, eligibility and participation within the Plan.

2.3 "Effective Date": The Effective Date shall be the date the Plan and Trust are adopted by the Plan Sponsor.

2.4 "Employee": Any employee of the Plan sponsor.

2.5 "Individual Account": An account as described in Article VI.

2.6 "Plan Sponsor, Employer": Any public agency or political subdivision thereof which has adopted and not terminated a Plan and Trust as part of the California Government VEBA.

2.7 "Member": Any of the following persons who meet the eligibility requirements provided in the Plan:

2.7.1 An actively employed Employee.
2.7.2 An inactive Employee.
2.7.3 A retired former Employee.
2.7.4 A dependent of an active, inactive, or retired Employee who is a Member including the Employee's spouse; a minor child residing with the Employee; a child of the Employee who is a student within the meaning of Code Section 151(e) (4); any other person who is a dependent of the Employee within the meaning of Code Section 152(a).
2.7.5 A beneficiary of an active, inactive or retired Employee who is or was a Member.
2.7.6 "Inactive Employee" means: An Employee who, although not actively employed by the Plan Sponsor, retains eligibility for benefits.

2.9 "Plan Administrator": The individual, position or organization designated by the Trustee to act in matters relating to the administration of the Plan and its Documents.

2.10 "Trust Administrator": The entity appointed by the Trustee to perform the duties listed herein.

2.11 "Trustee": The Trust Committee appointed by the forming agency Plan Sponsors, or

other individual or entity as determined pursuant to the California Government Code.

Article III
Participation

3.1 Eligibility.

3.1.1 In General. Subject to the limitations of section 3.2, every Employee shall be eligible to become a Member under this Plan at the time of the first Plan Sponsor contribution to this Plan on the Employees' behalf. The Plan Sponsor may contribute to the Plan on behalf of its Employees on terms pursuant to a collective bargaining agreement, political body resolution, Plan Sponsor personnel practices, or other documents establishing rates of contribution, eligibility and participation within the Plan including employer contributions leave conversion programs, or negotiated employer contributions through salary reduction.

3.2 Limitations.

3.2.1 Participation shall be limited to those Employees by or on behalf of whom a contribution is made to the Trust.

3.2.2 This Plan does not permit any condition for eligibility which would limit participation or benefits to officers or highly compensated Employees.

3.3 Procedure. After satisfying all eligibility requirements, an Employee shall participate in this Plan when the Trustee receives the initial contribution for the Member.

3.4 Duration of Participation. Once an Employee becomes a Member in the Plan, his participation shall continue as long as funds remain in or are required to be deposited in his/her Member's Individual Account.

3.5 Voluntary Participation. Participation shall be mandatory for all employees within a defined employee unit which has negotiated provisions for participation and contributions as evidenced by a collective bargaining agreement, political body resolution, Plan Sponsor personnel practices, or other documents establishing rates of contribution, eligibility and participation within the Plan. Such participation shall be governed by the applicable provisions of the Internal Revenue Service (IRS).

Article IV
Plan Benefits

4.1 Description. The purpose of the Plan is to provide health and welfare benefits and similar benefits permitted under section 501 (c)(9) of the Internal Revenue Code, for use during periods of employment, layoff or retirement. Health Benefits may include benefits as defined by Code Section 213 and excludable from income under Code Sections 105 and 106 as amended from time to time. Such benefits may be provided through

reimbursement or through the payment of premiums to a medical benefit or health insurance program. Benefits may include payment for services or benefits designed to safeguard or improve the health of Members or clinical care services by visiting nurses, nursing homes and transportation for medical care. Welfare benefits may include, but are not limited to severance, unemployment, life, death and/or education benefits.

Health benefits will be separately accounted for, i.e., that money cannot be transferred from health benefits to pay other kinds of benefits.

4.2 Commencement of Benefits. Benefits commence for covered expenses incurred on or after the date an Employee becomes a Member in the Plan.

4.3 Benefit Payments. Benefits are payable for covered expenses incurred by the Member or the Member's dependents.

4.4 Designation of Beneficiaries. The Member shall have the sole right to designate the Beneficiary or Beneficiaries eligible to receive any benefit under the Plan. Such beneficiaries are limited to spouses, dependents and domestic partners and any other beneficiaries as may be permitted by the IRS in the future.

4.5 Termination of Benefits. Benefits for Members and their dependents shall terminate when there are no longer any assets available for payment.

4.6 Qualified Dependent Payments from Individual Accounts. If an Individual Account is established, in the event of the Member's death, any funds then remaining in the Member's Individual Account shall be used for medical expenses of the Member's spouse and qualified dependents.

4.7 Unallocated Benefit Accounts. The Plan Sponsor may participate in this Plan without establishing Individual Accounts for Members. The Plan Sponsor shall specify the Employees to whom benefits are to be paid, and the amount and type of benefits. The assets contributed for such Employees and earnings thereon shall be accounted for in a separate sub account of the Trust. Benefits shall then be paid to Members as prescribed by the provisions of this Plan and any other instrument that is deemed a part of this Plan for the purpose of determining benefits to be paid. When the assets in such sub account are exhausted no further benefits shall be paid.

Article V
Funding of Benefits

5.1 Plan Sponsor's Contributions. Plan Sponsor contributions made to this Plan and Trust shall be specifically allocated to an Individual Account for each Member for the purpose of providing payment of the benefits described herein unless the Plan Sponsor is providing for Unallocated Benefits pursuant to Section 4.7.

5.2 Determination of Benefits. Unless the benefits are being provided on an Unallocated

Basis pursuant to Section 4.7, amounts contributed on behalf of each Member shall be determined pursuant to the provisions of the collective bargaining agreement, political body resolution, Plan Sponsor personnel practices or other documents establishing rates of contribution, eligibility and participation within the Plan. If benefits are being provided on an Unallocated Basis benefits shall be determined on the same basis.

5.3 Termination of Plan Sponsor Contributions. Contributions shall cease when the collective bargaining agreement, political body resolution, Plan Sponsor personnel practices or other documents establishing rates of contribution, eligibility and participation within the Plan no longer provide for contributions. The Plan Sponsor shall be responsible for informing the Trust Administrator and Plan Administrator when Plan Sponsor Contributions for any Employee or Employees will cease.

5.4 Plan Sponsor Contribution. All Plan Sponsor contributions shall be based on the collective bargaining agreement, political body resolution, Plan Sponsor personnel practices or other documents establishing rates of contribution, eligibility and participation within the Plan. Such contributions may include the following:

5.4.1 Contributions from accumulated leave conversion. Such leave conversion contributions shall be consistent with the provisions of the collective bargaining agreement, political body resolution, Plan Sponsor personnel practices or other documents establishing rates of contribution, eligibility and participation for such leave conversion. Such contribution may be made on an annual basis or at the termination of employment in accordance with IRS provisions as specified within the applicable document(s). A percentage contribution range (for example 10 to 50 percent of the converted value of the leave) may be negotiated as contribution to the VEBA. However, the employee election under the collective bargaining agreement may not be changed, nor can any amount of the contribution be returned to the employee as cash. An employee contribution made within the negotiated range of contribution percentage shall not be treated as an individual employee election.

5.4.2 Employer Pick Up Contribution. Such contribution shall be made consistent with the provisions of the collective bargaining agreement, political body resolution, Plan Sponsor personnel practices or other documents establishing rates of contribution, eligibility and participation for such contributions. Eligible employees may elect to participate at the rate of contribution established within the applicable document(s). Such contribution may be made from a negotiated dollar range ($50 to $500) per pay period. All eligible employees must make the mandatory election within 30 days of the effective date of the Plan or within 30 days of the date of hire if hired after the effective date of the Plan. All eligible employees must provide an irrevocable payroll deduction authorization at the time of contribution election. The employee does not have the option of receiving the deduction amounts directly instead of having them paid by Employer to the Plan. Such contributions are being picked up by Employer, and, although designated as employee contributions, such contributions are being paid in lieu of contributions by the employee. While the collective bargaining agreement, political body resolution, Plan Sponsor personnel practices or other documents establishing rates of contribution, eligibility and participation for such contributions are in effect the Plan will only accept

contributions from Employer and not directly from the employee.

Article VI
Allocation to Member's Accounts

6.1 Members' Individual Accounts. A separate account shall be maintained by the Plan Administrator for each Member to account for the income, gains, losses, and expenses or benefit payments attributable to his or her account unless benefits are being provided on an Unallocated Basis.

6.2 Receipt of Contributions. Contributions will be credited when received by the Trustee.

6.3 Accounting. The Plan Administrator shall develop such accounting procedures as are deemed appropriate for the accurate reflection of the Members' Individual Account balance or the assets contributed, earnings thereon and benefits paid if benefits are being provided on an Unallocated Basis.

Article VII
General Provisions

7.1 Source of Benefits. The Plan and Trust's liability to any Member for benefits under the Plan shall be limited to the sum of the contributions made to his/her Individual Account and/or the amount of contribution made by the Plan Sponsor and interest thereon for the specified benefit of said Member if benefits are being provided on an Unallocated Basis.

7.2 Mechanics of Payment. The Member shall, with respect to any benefit, and subject to the reasonable procedures established by the Plan Administrator, direct the Plan Administrator:

7.2.1 To pay benefits directly to an insurance company for qualified insurance premiums; or

7.2.2 To pay benefits to a Plan Sponsor for qualified Medical premium payments; or

7.2.3 To pay benefits to the Member for reimbursement of qualified medical expenses; or any combination as allowed under the procedures adopted by the Plan Administrator.

7.3 Claims Procedure. At such time when a Member believes he/she is entitled to receive a benefit under the Plan, such Member shall deliver a request for such benefit in writing to the Plan Administrator. The Plan Administrator shall review the claimant's request for a Plan benefit and shall, within a reasonable time thereafter, notify the claimant of its decision as follows:

7.3.1 If the claimant's request for a Plan benefit is approved, the Plan Administrator shall proceed with the distribution of such Plan benefit pursuant to the reimbursement method selected by the Member.

7.3.2 If the claimant's request for a Plan benefit is denied, in whole or in part, by the

Plan Administrator, the Plan Administrator shall notify the claimant of such denial and shall provide the claimant with a reasonable procedure for review.

7.3.3 Any claimant whose request for Plan benefits has been denied, in whole or in part, may appeal said denial of Plan benefits in accordance with the appeal process established by the Plan Administrator. Such request for review must be delivered to the Plan Administrator within the specified time period after the date the claimant received written notification of the Plan Administrator's initial denial of the claimant's request for Plan benefits.

7.3.4 The Plan Administrator shall permit the claimant to review pertinent documents and submit written issues and comments concerning the denial of claimant's request for Plan benefits.

7.4 Limitation on Death Benefit. A death benefit that is payable in the form of health benefits can be payable only to a spouse, dependent, or domestic partner.

7.5 Other Welfare Benefits. The Trustee shall determine the type and amount for all other welfare benefits if desired to be provided by the Trust.

Article VIII
Administration

8.1 Trust Administrator. The Trust Administrator of the California Government Voluntary Employees Beneficiary Association Master ("Trust") shall perform such duties as directed by the Trustee and the terms of this agreement.

8.2 Trust Administrator Duties. The Trust Administrator shall have responsibility for directing the maintenance of records of the balances, claims, and contributions to the Individual Accounts as well as such records as are needed to maintain the Plan if contributions are made on an Unallocated Basis. The Trust Administrator shall cause the enforcement of this Plan in accordance with its terms and those of the Trust and shall be charged with the general oversight of the Plan Administrator for the Plan. In addition, the Trust Administrator, or its delegatee, shall have the following duties some of which will be directed through the Plan Administrator:

8.2.1 to determine all questions relating to the eligibility of Employees to participate.

8.2.2 to report to the Trustee as directed;

8.2.3 to compute and certify to the Trustee the amount and kind of benefits payable to the Members, their dependants and Beneficiaries;

8.2.4 to maintain all the necessary records for the Administration of this Plan;

8.2.5 to account for the investments made by the Trustee in a manner consistent with the objectives of the Plan and authorized by the Trust;

8.2.6 to make and publish such rules for the regulation of this Plan as are not inconsistent with the terms hereof.

8.3 Information. To enable the Trust Administrator to perform its functions, the Plan Sponsor shall supply it with full and timely information on all matters relating to the

compensation of all Employees, their services, their retirements, deaths or the causes for terminations of employment and such other pertinent facts as the Trust Administrator may require.

8.4 Expenses. All expenses shall be paid from the earnings on the assets held in the Trust, unless otherwise authorized by the Trustee.

8.5 Consultants, Advisors & Managers. The Trust Administrator may employ such consultants, advisors and investment managers as it deems necessary or useful in carrying out its duties hereunder, with the cost thereof to be paid from the Trust assets. Such Consultants, Managers and Advisors are subject to approval by the Trustee.

8.6 Funding Policy & Procedures. The Trustee, Trust Administrator and Plan Sponsor shall formulate policies, practices and procedures for contributions to, payments from, and funding of the Plan, which shall be consistent with the Plan objectives and the provisions of applicable law. Without limiting the generality of the foregoing, the Trust Administrator may, from time to time, accomplish the following:

8.6.1 Establish a regular and convenient schedule of planning meetings, not less often than annually.
8.6.2 Review short term, intermediate and long range investment goals.
8.6.3 Determine and project benefit liabilities.
8.6.4 Make plans to satisfy the liquidity needs of the Plan; and
8.6.5 Consult with such other advisors as may be necessary to assure the efficient payment of Plan benefits.
8.6.6 Recommend asset investment models, fund managers and investment options.

Article IX
Liability

9.1 No Rights. Neither the establishment of this Plan, nor any modification or amendment thereof, nor the payment of any benefits, shall be construed as giving any Member, or any person whomsoever, any legal or equitable right against the Trustee, Trust Administrator, Plan Sponsor, or the assets of the Plan.

9.2 Obligations of Plan Sponsor. Only assets in the Trust shall be available to pay the benefits and claims which arise under this Plan. No obligation of the Plan shall constitute an obligation of the Plan Sponsor, except as such Plan Sponsor is obligated to make contributions under the Plan.

9.3 Liability Limitation. Neither the Trustee, Plan Sponsor or the Trust Administrator shall be liable for the acts or omissions of any Investment Manager or other person appointed to manage the assets of the Plan and Trust if the Trustee or Trust Administrator in appointing such person acted with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man would use in the conduct of an enterprise of a like character and with like aims.

Adopted by:

By: _____
Signature

Title: _____

Date: _____