



**SPECIAL DISTRICTS INSURANCE SERVICES
EMPLOYEE BENEFITS PLAN**

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**SPECIAL DISTRICTS INSURANCE SERVICES
EMPLOYEE BENEFITS PLAN**

Preamble

WHEREAS, the Board of Trustees of the Special Districts Association of Oregon Trust (the "SDIS Trust") maintain the Special Districts Insurance Services Employee Benefits Plan (the "Plan") for the benefit of the eligible employees of the Participating Employers.

WHEREAS, the Board of Trustees desires to memorialize the provisions of the Plan in a written document.

NOW, THEREFORE, in consideration of the foregoing, the Board of Trustees hereby adopts the Plan document as herein, effective as of June 1, 2015.

To evidence the adoption of this Plan, it has been signed on behalf of the Board of Trustees of the SDIS Trust by its Chair.

SPECIAL DISTRICTS INSURANCE SERVICES TRUST

By: _____

Its: Chair

Dated: 7-23, 2015

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ARTICLE 1

General

1.1 Purpose. It is the intention of the Board of Trustees of Special Districts Insurance Services Trust (the “SDIS Trust”) to continue to maintain the Special Districts Insurance Services Employee Benefits Plan (the “Plan”) for the benefit of eligible employees of the Participating Employers, and in accordance with the provisions of the Code and other applicable laws pertaining to employee benefit plans. The purpose of the Plan is to continue to provide a broad range of employee welfare benefits for eligible employees and their respective dependents through one or more welfare benefit programs. The Plan is intended to govern various Benefit Programs through the use of documents that articulate the specific benefits covering the individuals described in such documents, and the terms and conditions associated with those benefits.

1.2 Composition of Plan. The Plan document is a compilation of a number of separate documents, including insurance contracts, administrative service agreements and employee benefit booklets. The Plan document is used in determining benefits to which Participants and their dependents are entitled. An individual’s entitlement to coverage under the Plan, and any Benefit Program of the Plan, and the amount of any benefits provided under the Benefit Program, will be as set forth in the insurance contract, administrative services agreement or employee benefits handbook through which such benefits are administered.

1.3 Participating Employers.

(a) A “Participating Employer” means a Special District, or a Public Body that has applied for, and has been accepted as, a “Member” with respect to the SDIS Trust in accordance to the terms of Special Districts Insurance Services Declaration of Trust, and whose status as such a Member has not been terminated, suspended or withdrawn pursuant to such Declaration of Trust. The Special Districts Association of Oregon is also eligible to be a Participating Employer, subject to the terms of the Plan.

(b) An Employer that elects to become a Participating Employer agrees to be bound by and hereby assents to all of the terms of the Plan.

(c) A Participating Employer’s Plan participation election for any Plan Year may be terminated, effective as of the last day of a calendar month, by the Employer or by the Board of Trustees by notifying the other party thereof in writing at least sixty (60) days prior to such termination date, or within such shorter time period as may be acceptable by the Plan Administrator. A participation termination election made by a Participating Employer during a Plan Year will apply to all Benefit Programs elected by the Participating Employer for that Plan Year. The Employer may not again elect to participate in the plan until the applicable waiting period has been served.

(d) SDIS may prescribe minimum employee participation, minimum employer contribution and other standards and policies that an Employer must satisfy as a condition to acceptance as a Participating Employer.

1.4 Exemption from ERISA. The Plan is a governmental plan within the meaning of Section 3(32) of the Employee Retirement Income Security Act of 1974 (ERISA), and thus is exempt from coverage under that statute pursuant to ERISA Section 4(b)(1).

1.5 Effective Date. The provisions of this Plan document as herein stated are effective as of June 1, 2015, except as may be specifically provided otherwise. The terms and conditions of the Plan as set forth in this document will apply to expenses incurred on or after this effective date, except as may be specifically provided otherwise.

ARTICLE 2

Definitions

Where the following words and phrases appear in this Plan, they will have the respective meanings set forth below, unless their context clearly indicates otherwise.

Benefit Program. “Benefit Program” means any benefit program offered under the Plan for the purpose of providing benefits to Participants under the Plan. The terms and conditions of the coverage under a Benefit Program are set forth in separate documents pertaining to that Benefit Program, and the benefits will be determined solely therefrom. The Benefit Programs currently offered under the Plan are set forth in Section 3.1.

Board of Trustees. The “Board of Trustees” means the Board of Trustees of the Special Districts Insurance Services Trust, as constituted from time to time.

Change in Status Event. “Change in Status Event” is an event described in Section 5.2 that may allow a Participant to make changes to a benefit election outside of the open enrollment period.

CHIPRA. “CHIPRA” means the Children’s Health Insurance Program Reauthorization Act of 2009.

Code. “Code” means the Internal Revenue Code of 1986, as from time to time amended.

Eligible Employee. “Eligible Employee” means an Employee who has been designated by a Participating Employer as being eligible for coverage under a Benefits Program, as prescribed in Section 3.2.

Employee. “Employee” means an employee of a Participating Employer. However, the term “Employee” will expressly exclude, as with respect to any period, a leased employee, an independent contractor, or any other individual performing services for a Participating Employer who for the period at issue had not been treated by the Participating Employer as an employee for employment tax purposes.

Employer. “Employer” means, with respect to a Participant, the Participating Employer employing the Participant.

Group Health Benefit Program. Except as expressly provide otherwise, a “Group Health Benefit Program” means any Benefit Program providing for the payment or reimbursement of health care expenses for Participants and their eligible dependents.

HIPAA. “HIPAA” means the Health Insurance Portability and Accountability Act of 1996, as amended.

Participant. “Participant” means with respect to a Benefit Program an Eligible Employee who has enrolled, or who has been enrolled, for coverage under the Benefit Program.

Participating Employer. “Participating Employer” means an employer that has elected to participate in the Plan as prescribed in Section 1.3.

Plan. “Plan” means the Special Districts Insurance Services Employee Benefits Plan, and all documents, including any insurance contracts, administrative service agreements, summary plan descriptions and any related terms and conditions associated with the Plan.

Plan Administrator. The SDIS Trust serves as the “Plan Administrator” of the Plan.

Plan Sponsor. The Board of Trustees of the SDIS Trust serves as the “Plan Sponsor” of the Plan.

Plan Year. For purposes of the Plan itself, a “Plan Year” is the 12-month period beginning on July 1 and ending on June 30 of each year. No dates of expiration, plan year, policy year or other period of coverage contained in any Benefit Program or insurance contract or other document will have any effect on the Plan Year.

Public Body. “Public Body” means an entity described in Oregon Revised Statutes 30.260.

SDIS Trust or SDIS. “SDIS Trust” or “SDIS” means the Special District Insurance Services Trust.

Special District. “Special District” means a governmental entity described in Oregon Revised Statutes 198.010.

ARTICLE 3

Benefit Programs and Eligibility

3.1 Benefit Programs.

(a) The Benefit Programs maintained under, and forming part of, the Plan include those identified below:

- Medical Insurance Program;
- Dental Care Program;
- Group-Term Paid Life Insurance Program;
- Long-Term Disability Insurance Program;
- Short-Term Disability Insurance Program; and
- Employee Assistance Program.

(b) At the beginning of a new Plan Year, SDIS will decide which Benefit Programs are to be made available to the Participating Employers for the ensuing period.

(c) SDIS will have the right at any time to add, amend or eliminate a Benefit Program under the Plan, as well as the insurance policy that constitutes or forms a part of a Benefit Program. For the purposes of this Section 3.1, if a Benefit Program is added or amended, the insurance policy or other governing document establishing or amending the Benefit Program will be made a part of the Plan, and its provisions will be incorporated in the Plan by this reference.

(d) The provisions of a Benefit Program, including the requirements for enrollment and coverage, the types and amounts of benefits, the procedures for the payment of benefits, and any other conditions or limitations regarding coverage and benefits will be determined only under the governing documents establishing, constituting or forming a part of the Benefit Program as in effect from time to time.

3.2 Eligibility. Except as may otherwise be provided herein, an “Eligible Employee” for purposes of any Benefit Program means an Employee of a Participating Employer who is in a class of employees designated by the Participating Employer as being eligible for coverage under the Benefit Program.

3.3 Eligible Dependents.

(a) A dependent with respect to any Benefit Program means a Participant’s spouse, qualified domestic partner or child who qualifies as a dependent under the terms of the documents governing such Benefit Program.

(b) Subject to subsection (d) below, the following individuals will qualify as dependents of a Participant for purposes of the Medical Insurance Program of the Plan:

- (i) The Participant's legal spouse;
- (ii) The Participant's eligible domestic partner (as determined under the terms of the booklet forming part of the Medical Insurance Program); and
- (iii) A child of the Participant who has not attained age 26.

(c) Subject to subsection (d) below, for purposes of the Medical Insurance Program, the term "child" means:

- (i) A natural child of the Participant;
- (ii) A stepchild of the Participant;
- (iii) A legally adopted child, or a child placed for adoption, with respect to the Participant;
- (iv) A child for whom legal guardianship has been granted to the Participant, pursuant to a court order or decree; and
- (v) A child for whom the Participant is obligated to provide benefits pursuant to a qualified medical child support order ("QMCSO").

(d) The coverage of an Participant's spouse, domestic partner or child under the Medical Insurance Program, or under any other Benefit Program, is expressly conditioned upon the Participant timely providing to SDIS or its delegate any requested documentation substantiating the individual's eligible dependent status (for example, a marriage certificate). Accordingly, the enrollment of such an individual will not be effective unless the requested documentation is timely provided.

ARTICLE 4

Contributions

4.1 Funding of Benefits. The benefits provided under any Benefit Program may be wholly or partially paid by the Participating Employers, or partially paid by Participants.

4.2 Participant Contributions. As a condition to coverage under a Benefit Program, a Participant may be required to contribute toward the cost of the coverage under such program. The amount of such contribution will depend on the Benefit Program selected, as well as a Participating Employer's requirements, and, if applicable, the coverage category selected. The contribution rates for each year will be established by individual Participating Employers for their Employees. Participant contribution rates may differ for different classes or groups of employees.

4.3 Pre-Tax Premium Program.

(a) The Pre-Tax Premium Program reduces a Participant's compensation by the amount that the Participant would otherwise be required to pay as a condition of coverage under a Benefit Program, and applies such reduction amount on a pre-tax basis toward the payment of the applicable premium contributions.

(b) SDIS will designate the Benefit Programs to which the Pre-Tax Premium Program will be available. A Participant is required to make the applicable contributions for each such Benefit Program on a pre-tax basis through the Pre-Tax Premium Program unless the Participating Employer of the Participant, in its discretion, allows the Participant to make the contributions on an after-tax basis, such as in the case of payments to be made while an Employee is on an unpaid leave of absence.

4.4 Leaves of Absence. A Participant in a Benefit Program requiring premium contributions who takes a leave of absence remains obligated to pay the applicable premium contributions for coverage under the Benefit Program during such period of leave, unless the Participant's Employer waives such requirement in whole or in part.

ARTICLE 5

Permitted Election Changes

5.1 Irrevocable Status of Elections. Except as otherwise provided in this Section 5.1, any election made or deemed to have been made by an Employee with respect to any Plan Year in regard to participating or declining to participate in a Benefit Program for which Participant contributions may be paid on a pre-tax basis will be irrevocable for the duration of that Plan Year. As an exception to that rule, an Employee may revoke an election with respect to a Benefit Program to which the Pre-Tax Premium applies for a Plan Year (including the rescinding of a deemed election not to participate in the Benefit Program for that Plan Year), to take effect for the remainder of the Plan Year if the benefit election, modification or revocation, as the case may be, is on account of a permitted election change event described in this Article 5. The change in election must be requested within 31 days of the applicable event, or within such later date as allowed under applicable laws.

5.2 Change in Status Events. A change in election will be permitted to be made during a Plan Year if the change (i.e., a benefit election, modification or revocation, as applicable) is on account of and consistent with a change in status event described below:

- (a) An event that changes the Employee's legal marital status, including marriage, death of a spouse, divorce, legal separation or annulment;
- (b) An event that changes the Employee's number of dependents, including the birth, adoption, placement for adoption or death of a dependent;
- (c) A termination or commencement of employment by the Employee, or by a dependent of the Employee;
- (d) The suspension of active employment of an Employee or dependent of the Employee due to a strike or lockout;
- (e) A commencement or return from an unpaid leave of absence by the Employee or a dependent of the Employee;
- (f) A change in the place of residence or worksite of the Employee or a dependent of the Employee;
- (g) An event that causes a dependent to satisfy or cease to satisfy the requirements for coverage under the Benefit Program or another employee benefit plan (including an employee benefit plan of another employer) due to attainment of age, student status or any similar circumstance;
- (h) Any other change in the employment status of the Employee or a dependent of the Employee that results in the individual becoming, or ceasing to be, eligible for coverage under the Plan or another employee benefit plan; and

(i) Any of the changes listed in subsections (a) through (h) above, as applicable under the Oregon Family Fairness Act.

5.3 Election Restrictions. An effectuation, modification or revocation of a Participant's election due to a Change in Status Event will be allowed only as prescribed below.

(a) A new election, or a modification or revocation of an election, to be made with respect to coverage under a Group Health Benefit Program or the Healthcare FSA Program, or under a Benefit Program providing for group-term life insurance coverage, must be on account of and correspond with a qualified change in status that affects eligibility for such coverage under an employer's benefit plan (including, if applicable, COBRA continuation coverage).

(b) A new election, or a modification or revocation of an election, to be made under any other Benefit Program will be allowed only to the extent that it is on account of and corresponds with a Change in Status Event that affects eligibility for coverage under an employer's benefit plan.

5.4 Special Health Plan Enrollment Rights. An Eligible Employee who the Plan Sponsor determines is eligible to enroll in the Medical Insurance, or in another non-excepted Group Health Benefit, Program mid-year by reason of the special enrollment rights prescribed under HIPAA or CHIPRA, may then also make or change an election pertaining to the premium contributions payable with respect to the Group Health Benefit Program for such coverage. If the special enrollment is made on a retroactive basis, the Participant may elect to increase the level of contributions to be made under the Group Health Benefit Program for the remainder of the Plan Year to account for the additional cost of the retroactive coverage.

5.5 Revocation Due to Enrollment in Marketplace Exchange Policy.

(a) A Participant may prospectively revoke coverage under the Medical Insurance Program if the Participant is eligible for coverage under a qualified policy providing for minimum essential coverage offered under an ACA Marketplace Insurance Exchange (the "Marketplace") during either a Marketplace special enrollment period or during the Marketplace's annual open enrollment period.

(b) The revocation of the election of coverage under the Medical Insurance Program must correspond to the intended enrollment of coverage of the Participant and any dependents under a Marketplace policy. The new coverage under the Marketplace policy must be effective beginning no later than the day immediately following the last day of the revoked coverage under the Medical Insurance Plan.

(c) The Plan Administrator may rely on the reasonable representation of a Participant who has an enrollment opportunity for a policy through a Marketplace that the Participant and dependents have enrolled or intend to enroll in a policy for new coverage that is effective beginning no later than the day immediately following the last day of coverage under the Medical Insurance Program.

5.6 Judgment, Decree or Order. If a judgment, decree or order resulting from a divorce, legal separation, annulment or change in legal custody requires health coverage for a Participant's child who is a dependent of the Participant, the Participant may effect or change his or her election in order to:

(a) Provide coverage for the child if the order requires health coverage under the Group Health Benefit Program; or

(b) Cancel coverage for the child if the order requires the Participant's spouse, former spouse or other individual to provide health coverage for the child.

5.7 Entitlement to Medicare or Medicaid. If a Participant or a Participant's dependent becomes enrolled under Part A or Part B of Medicare or Medicaid (other than coverage solely under the federal pediatric vaccine program), the Participant may then change his or her election to reflect the cancellation or reduction of the coverage of the Participant's dependent under the Group Health Benefit Program. In addition, if a Participant or dependent subsequently loses coverage under Medicare or Medicaid, the Participant may make a prospective election to increase coverage for such individual under the Group Health Benefit Program.

5.8 Cost Changes.

(a) If the amount of premium contributions required of a Participant for coverage or benefits under a Benefit Program increases or decreases during a Plan Year (including by reason of a change in employment status), then the level of the Participant's premium contributions payable with respect to such Benefit Program will automatically be adjusted on a prospective basis to reflect the increase or decrease.

(b) If during a Plan Year the cost of a Participant's coverage under a Benefit Program (or in regard to any benefit option under that program) is increased by an amount which the Plan Sponsor determines to be significant (including any significant increase attributable to a change in employment status), then affected Participants will be permitted to elect to change prospectively the amount of the elected contribution rate with respect to such Benefit Program to cover the increase. Alternatively, if the Participant is given the option to terminate participation in that Benefit Program and enroll in another Benefit Program offering similar coverage and the Participant chooses to do so, then the Participant will have the right to make a change in election under the Pre-Tax Premium Program with respect to such Benefit Program to reflect the cost of the new coverage.

(c) If the cost to a Participant for dependent care assistance is increased during a Plan Year by an amount which the Plan Sponsor determines to be significant, then the Participant may change prospectively the amount of the elected contribution rate under the Dependent Care Program to cover the cost increase. However, this change in election is available only if the cost increase is imposed by a dependent care provider who is not a relative of the Participant within the meaning of Code Section 152(d)(2).

5.9 Significant Coverage Curtailment.

(a) If the necessary scope of coverage needed by a Participant under a Benefit Program is significantly curtailed or ceases during a Plan Year, the Participant may then revoke or modify the premium contribution election with respect to coverage under such Benefit Program for the remainder of the Plan Year.

(b) If coverage under a Benefit Program is significantly curtailed or ceases during a Plan Year, and if coverage under another Benefit Program providing similar coverage is made available to affected Participants, then each such affected Participant may make a new election on a prospective basis for coverage under the other Benefit Program. Coverage under a Benefit Program will be deemed to be significantly curtailed only if there is an overall reduction in coverage provided to Participants under the program so as to constitute reduced coverage to Participants generally.

5.10 Addition or Elimination of Benefit. If during a Plan Year a Benefit Program or other benefit option is either added or eliminated from the Plan, or if a benefit option is either added or eliminated from a Benefit Program, then the Plan Sponsor, in its discretion, may permit affected Participants, on a prospective basis, to elect participation in the newly-added Benefit Program, or to modify an election due to the addition or elimination of the Benefit Program or of the benefit option under the Benefit Program, as the case may be. Further, affected Participants may then be permitted to make corresponding election changes with respect to other Benefit Programs or benefit options providing similar coverage.

5.11 Family and Medical Leave Act. A Participant who takes an unpaid leave under the Family and Medical Leave Act (“FMLA”) during a Plan Year may disenroll in a Group Health Benefit Program or the Healthcare FSA Program, and upon returning from such leave, may make an election for coverage under the applicable Benefit Program for the remainder of the Plan Year.

5.12 Changes Under Other Employer Plan. The Plan Sponsor, in its discretion, may permit a Participant to make a prospective election change that is on account of and corresponds with a qualified election change made by the Participant, or by the spouse or dependent of the Participant, under a Section 125 cafeteria plan or other employee benefit plan of the Employer, or of any other employer, provided that either one of the following conditions are satisfied:

(a) The election change is being made for an event or reason described in this Article 5 and is permitted to be so made by the Participant, spouse or dependent (as applicable) pursuant to the terms of the other plan; or

(b) The other plan forms part of a cafeteria plan, and the period of coverage under that other plan is different than the period of coverage prescribed under the Benefit Program under this Plan to which the change applies.

5.13 Effective Date of Changes. Any new election made under this Article 5 will be effective at such time as the Plan Sponsor will prescribe, but not earlier than the first pay period beginning after the election revocation or modification form is completed and returned to the Plan Administrator or its delegate. Notwithstanding the foregoing, an election pertaining to coverage under a group health benefit program effectuated by reason of a newly acquired dependent, or any other event implicating the HIPAA or CHIPRA special enrollment rules, may be made retroactively effective as of the affected individual's special enrollment date.

ARTICLE 6

HIPAA Privacy and Security Rules

6.1 Overview.

(a) HIPAA and its implementing regulations include provisions designed to protect the privacy of health information concerning individuals covered under a group health plan. However, these laws recognize that a plan sponsor and certain of its employees have the need for access to, and the use of, such health information in order to perform administrative functions with respect to the plan. The laws thus permit the use and disclosure of such health information by SDIS and its designated employees, subject to prescribed restrictions that are required to be expressly identified and acknowledged in the governing plan document. Toward that end, the use or disclosure of protected health information of persons covered under a Group Health Benefit Program will be subject to the terms and conditions prescribed in this Article 6.

(b) The Plan is a hybrid plan consisting of Benefit Programs that provide group health benefits and Benefit Programs that provide other forms of benefits. The HIPAA Privacy Rules apply solely to health plans. Accordingly, as used in this Article 6, the term “Plan” refers only to a Benefit Program under the Plan that provides group health benefits and is otherwise deemed to be a health plan for purposes of the HIPAA Privacy and Security Rules.

6.2 Definitions. When used in this Article 6 certain terms have the respective meanings set forth in this Section 6.2, or in certain other Sections of this Article 6.

(a) Covered Individual. “Covered Individual” means a person who is covered under the Group Health Benefit Program and who is the subject of the PHI at issue.

(b) Group Health Benefit Program. A “Group Health Benefit Program” means any Benefit Program that provides group health benefits, including the following:

- Medical Insurance Program
- Dental Care Program
- Employee Assistance Program

(c) HIPAA Privacy Rules. “HIPAA Privacy Rules” means the Standards for Privacy of Individually Identifiable Health Information at 45 CFR Part 160 and Part 164, Subparts A and E.

(d) Privacy Official. “Privacy Official” means the person appointed under the Plan to undertake responsibility for the development and implementation of policies and procedures relating to the Group Health Benefit Programs’ use and disclosure of PHI.

(e) Protected Health Information (“PHI”). “Protected Health Information” or “PHI” means with respect to any Covered Individual any information (including information of persons living or deceased) that:

(i) Is created or received by the Plan;

(ii) Relates to the past, present or future physical or mental health or condition of the Covered Individual, the provision of health care to the Covered Individual, or the past, present or future payment for the provision of health care to the Covered Individual; and

(iii) Identifies the Covered Individual, or for which there is a reasonable basis to believe the information can be used to identify the Covered Individual.

(f) Security Official. “Security Official” means the person appointed under the Plan to undertake responsibility for the development and implementation of policies and procedures required by the Security Rules.

(g) Security Rules. “Security Rules” will mean the Security Standards for the Protection of Electronic Protected Health Information at 45 CFR Part 160 and Part 164, Subparts A and C.

6.3 Use and Disclosure Restrictions. SDIS and its authorized employees will use and disclose a Covered Individual’s PHI only as prescribed below.

(a) Disclosures made directly to the Covered Individual;

(b) For Plan administration functions;

(c) Pursuant to the Covered Individual’s authorization;

(d) In a manner that is incidental to a permitted or required use or disclosure;

or

(e) When required to do so by federal, state or local law.

6.4 Employees with PHI Access. The employees or other persons under the control of SDIS who are to have access to PHI of Covered Individuals are described below.

(a) An employee or person having oversight responsibility for the management of the Plan or of any component of the Plan; and

(b) Any such employee or person who receives PHI in the ordinary course of the individual’s employment or business duties.

6.5 Privacy Commitments. In connection with its commitment to safeguard the privacy of the PHI of Covered Individuals, SDIS will:

(a) Not use or further disclose the PHI other than as permitted or required by the Plan document or as required by law;

(b) Ensure that any agents, including a subcontractor, to whom it provides PHI created or received by the Plan agree to the same restrictions and conditions that apply to SDIS with respect to such information;

(c) Not use or disclose the PHI for employment-related actions and decisions, or in connection with any other benefit or employee benefit plan maintained by SDIS;

(d) Report to the Privacy Official any use or disclosure of PHI that is inconsistent with the uses or disclosures permitted under this Article 6 of which it becomes aware;

(e) Pursuant to and as required under the HIPAA Privacy Rules:

(i) Allow each Covered Individual access to his or her own PHI;

(ii) Allow Covered Individuals to request an amendment of their PHI;

and

(iii) Make available to the Privacy Official the information necessary to provide an accounting of disclosures of PHI;

(f) Make its internal practices, books and records relating to the use and disclosure of PHI received from the Plan available to the HHS upon request for purposes of the agency's determination of the Plan's compliance with the HIPAA Privacy Rules; and

(g) Return or destroy all PHI received from the Plan that SDIS still maintains in any form, and retain no copies of such PHI when no longer needed for the purpose for which disclosure was made (or, if such return or destruction is not feasible, to limit further uses and disclosures to those purposes that make the return or destruction of the information infeasible).

6.6 Security Commitments. For purposes of safeguarding any PHI that SDIS may transmit or maintain in the form of electronic media (hereinafter referred to as "Electronic Protected Health Information"), SDIS will:

(a) Implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity and availability of the Electronic Protected Health Information that it creates, receives, maintains or transmits on behalf of the Plan;

(b) Ensure that any agent, including a subcontractor, to whom it provides Electronic Protected Health Information pertaining to the Plan agrees to implement reasonable and appropriate safeguards to protect such information;

(c) Ensure that the safeguarding of Electronic Protected Health Information available to and used by its authorized employees is supported by reasonable and appropriate security measures; and

(d) Report to the Security Officer any Security Incident involving any Electronic Protected Health Information of which it becomes aware. For this purpose, a "Security Incident" means an attempted or successful unauthorized access, use, disclosure, modification or destruction of information, or interference with system operations in an information system.

6.7 Plan Restrictions. Notwithstanding any provision of the Plan to the contrary, the Plan will:

(a) Disclose a Covered Individual's PHI to SDIS to carry out Plan administration functions that SDIS performs on behalf of the Group Health Benefit Program, but only to the extent consistent with the provisions of this Article 6;

(b) Not permit a health insurance issuer with respect to the Group Health Benefit Program to disclose a Covered Individual's PHI to SDIS except as permitted by this Article 6;

(c) Not disclose, and will not permit a health insurance issuer to disclose, a Covered Individual's PHI to SDIS as otherwise permitted by this Article 6 unless Covered Individuals are provided a Notice of Privacy Practices that advises of such permissive disclosures; and

(d) Not disclose a Covered Individual's PHI to SDIS for the purpose of employment-related actions or decisions, or in connection with any other benefit or employee benefit plan of SDIS.

ARTICLE 7

Plan Fiduciaries and Administration

7.1 Named Fiduciaries. The persons identified in this Section 7.1 are named as fiduciaries under this Plan, and will be the only named fiduciaries with respect to the Plan.

(a) Sponsor. SDIS, acting through its Board of Trustees or authorized officers, will have full authority and powers in regard to the establishment and maintenance of the Plan and of each Benefit Program under the Plan. Such powers include matters pertaining to the design of the Plan and the benefits provided hereunder, including the right to amend and to terminate the Plan or any Benefit Program. SDIS will further be responsible for all fiduciary functions under the Plan except insofar as any such authority or responsibility is assigned to another named fiduciary, or is delegated to another fiduciary pursuant to subsection (b) below. Such authority and responsibility will include the following:

(i) The designation of all named fiduciaries of the Plan, including the right to remove or replace any of them;

(ii) The periodic monitoring and evaluation of the performance of all named fiduciaries;

(iii) The employment of persons to provide services and advice necessary to the performance of the foregoing functions; and

(iv) All rights and powers necessary or convenient to carry out its functions hereunder, whether or not such rights and powers are specifically enumerated herein.

(b) Delegates. SDIS may delegate to a committee, or to any other person or organization, any authority or responsibility reserved or assigned to SDIS pursuant to the Plan. In the event of any such delegation, any references to the authority, right or power of SDIS to act which are contained in any notice, disclosure or communication intended to effectuate the purposes of the Plan will be construed to include authority for such actions by the committee or officer to whom SDIS has delegated its authority. Notwithstanding any other provision of the Plan, in the event that an action or direction of any person to whom authority has been delegated conflicts with an action or direction of SDIS, then the authority of SDIS will supersede that of the delegate with respect to such action or direction.

(c) Plan Administrator. SDIS will serve as the Plan Administrator. As the Plan Administrator, it will have the powers and duties prescribed under Section 7.2.

(d) Insurance Company. The insurance company providing benefits on an insured basis under any Benefit Program, or an administrative service organization that is administering the benefits under a self-insured Benefit Program pursuant to an administrative services agreement, is expressly delegated the discretionary authority and powers in regard to all facets of any claims for benefits made under the Benefit Program.

7.2 Powers and Duties of Plan Administrator. Except to the extent any fiduciary powers have been delegated to a committee or officer pursuant to Section 7.1(b), or to an insurance company or administrative service organization pursuant to Section 7.1(d), SDIS will have final and binding discretionary authority to control and manage the operation and administration of the Plan, including all rights and powers necessary or convenient to carry out its functions hereunder, whether or not such rights and powers are specifically enumerated herein. In exercising its responsibilities hereunder, SDIS may manage and administer the Plan through the use of agents (who may include employees of a Participating Employer). Without limiting the generality of the foregoing, and in addition to the other powers set forth in this Article 6, the authorities and responsibilities held by SDIS include the following:

(a) Construing and interpreting the terms of the Plan and of any documents pertaining to the Plan;

(b) Construing and interpreting all laws and regulations as applicable to the administration of the Plan;

(c) Making any factual determinations, and applying such determinations to the terms of the Plan and issues arising in connection with the administration of the Plan;

(d) Preparing and filing of all reports required to be filed with any agency of government, except such reports as must be prepared or filed by other fiduciaries as required by applicable law, and preparing such other reports with respect to the Plan as are reasonable and appropriate;

(e) Complying with all disclosure requirements imposed by state or federal law upon the administrator of the Plan;

(f) Maintaining all records of the Plan;

(g) Issuing instructions to the appropriate party, as may be required or appropriate, to pay any fees, taxes, charges or other costs incidental to the operation and management by the administrator of the Plan, and to pay benefits as provided in the Plan; and

(h) Receiving from the Participating Employers and from covered individuals such information as may be necessary for the proper administration of the Plan.

7.3 Indemnification. To the full extent permitted by law, SDIS will indemnify each employee of SDIS for any liability or expenses, including attorneys' fees, incurred in the defense of any threatened or pending action, suit or proceeding by reason of their status as fiduciaries of the Plan or as an authorized delegate thereof.

7.4 Right to Amend or Terminate.

(a) SDIS reserves the right to amend this Plan, in whole or in part, or discontinue or terminate the Plan, or to amend or terminate any Benefit Program; provided, however, that any such amendment, discontinuance or termination will not affect any right of any Participant to make a claim for benefits for events occurring prior to the date of such amendment, discontinuance or termination.

(b) An amendment to or termination of a Benefit Program may be made by the Executive Director of SDIS, or by any employee of SDIS with authority to enter into contractual arrangements with providers of Benefit Programs, and will be effectuated by the renegotiation or revision of any such Benefit Program and distribution of a summary plan description, notice of material modification, or any other written notice to affected Employees.

(c) In the event of a termination or reduction of benefits under the Plan, the Plan will be liable only for benefit payments due and owing as of the effective date of such termination or reduction, and no payments scheduled to be made on or after such effective date will result in any liability to the Plan, SDIS, the Board of Trustees, the Participating Employers or any agent thereof.

ARTICLE 8

Miscellaneous

8.1 No Guarantee of Employment, etc. Neither the maintenance of the Plan nor any part thereof will be construed as giving any Participant or any other employee any right to remain in the employ of a Participating Employer. No director, trustee or employee of SDIS, in any way, guarantees to any individual the payment of any benefit or amount which may become due in accordance with the terms of the Plan.

8.2 Benefits Not Transferable. The right to receive benefits under this Plan is not assignable or transferable to any other party. Any attempted assignment or transfer will not be binding on this Plan.

8.3 No Verbal Modifications of Plan Provisions. No verbal statement made by anyone involved in administering this Plan can waive any of the terms or conditions of this Plan, or prevent the Plan Sponsor from enforcing any provision of this Plan. Waivers are valid only if they are contained in a written instrument signed by an authorized individual on behalf of SDIS. Any such written waiver will be valid only as to the specific Benefit Program, term or condition set forth in the written instrument. Unless specifically stated otherwise, a written waiver will be valid only for the specific claim involved at the time, and will not be a continuing waiver of the term or condition in the future.

8.4 Recovery of Benefits Paid by Mistake. If payment is mistakenly made by the Plan for a covered individual to which that individual is not entitled, or if benefits are paid for an individual who is not eligible for benefits, SDIS and the Plan have the right to recover the payment from the individual paid or anyone else who benefited from such payment, including a provider of services. The right to recovery includes the right of SDIS to deduct the amount paid by mistake from future benefits.

8.5 Controlling Law. To the extent not preempted by the laws of the United States of America, the laws of the State of Oregon will be the controlling state law in all matters relating to the Plan and will apply.

8.6 Severability. If any provisions of the Plan will be held illegal or invalid for any reason, said illegality or invalidity will not affect the remaining parts of the Plan, but the Plan will be construed and enforced as if said illegal and invalid provisions had never been included herein.

8.7 Headings. All article and section headings in the Plan are intended merely for convenience and will in no way be deemed to modify or supplement the actual terms and provisions set forth thereunder.