

RECEIVED

DEC 07 2007

FIRST SELECTMAN'S OFFICE

MEMORANDUM OF UNDERSTANDING

BETWEEN

THE FIRST SELECTMAN AND THE SUPERINTENDENT OF SCHOOLS

In order to help facilitate the budget process and to keep health insurance costs in check as much as possible, the undersigned have entered into this memorandum of understanding as to how to proceed regarding the health insurance budgets of the Board of Education and Town.

The Board of Education and Town agree that budgeting for health insurance should be handled in a way to minimize the unpredictability inherent in health insurance costs and agree that the Town's Risk Retention Fund should be responsible for paying all health cost bills and that the school and Town budgets should fund this risk retention health fund in a manner as agreed to below.

1. The parties agree that cost savings can be achieved by the Town and Board acting jointly with reference to negotiating the price of insurance with insurance companies and or administrators, to the extent practicable. However, the parties also agree that current benefits and medical coverage health insurance plans, and benefits for all Board of Education and Town employees will not be affected or changed in any way as a consequence of this Memorandum of Understanding. All Employee health benefits and coverage and changes thereto are determined solely under the process of legally binding collective bargaining, to the extent required by applicable law. If the First Selectman seeks to contract with a different carrier or administrator, where such change may affect the plan design, benefits and/or plan administration as any of them may impact or affect employees, then any such change must be agreed to in advance by the Superintendent.

2. The Board of Education retains the right and responsibility to negotiate and collectively bargain with all Board of Education bargaining units as to all aspects of said health insurance plans and any changes thereto.

3. Board medical and health insurance budget appropriations as approved by the BOE and the relevant Town Bodies and employee premium cost share amounts will be deposited annually into a Town Risk Retention Fund. On the first day of each fiscal year the Board medical and health insurance budget appropriations will be deposited into said fund with employee premium cost share amounts deposited on a weekly basis and retiree premiums deposited in the normal course of business. The Board and the Town shall have complete access to all health insurance administration reports as allowed by law, for both the Board and Town accounts as is provided for prior to this Agreement. Nothing contained herein shall cause the Town to change its current financial reporting as a separate BOE Ledger account is currently maintained. In the normal course of business and after the end of the fiscal year, the Town will provide the Board with the insurance consultant's analysis of claims incurred but not yet reported and claims not yet paid with reference to the Board account.

4. The prior premium-based medical plan has been changed to a self-insured plan, effective July 1, 2006.

5. No services provided by the Town to administer the plans shall count as in-kind services to the Board for purposes of funding the Board's budget in any year.

6. The Town will be responsible for all payments under the health insurance plans, whether self-insured policy or otherwise, and will expressly hold the Superintendent and Board of Education harmless from any and all amounts required to be paid that are in excess of all the revenues in the related Board accounts for each plan/fiscal year or at any time in excess of the balance in all the Board's accounts in the Risk Retention Fund. The Town and the Board are

responsible for funding the Board's account in the Risk Retention Fund as follows: annual budgeted amounts to be entered into the Board of Education budget in future years, and which shall be deposited into the Board account in the Risk Retention Fund, shall be the prior annual budgeted amount, plus an annual health insurance increase (change) based on annual regional trends, employee group demographics, experience factors, employee contribution levels, number of employees and dependents, plan changes and other relevant factors, which will be mutually determined each year by the Town's and Board's jointly agreed upon outside insurance consultant. In funding the Board's account in any fiscal year, the Town may not take credit for or offset from the amount to be budgeted, the one month reserve amount which shall be maintained in the Risk Retention Fund.

7. The term "all payments" as referred to herein includes but is not limited to payment of all claims made under the plans, costs of administration, fees, charges, costs of reinsurance and/or individual and/or aggregate stop loss coverage.

8. In addition to annually depositing into the Board's account as set forth in section 6 above, the Town has responsibility to maintain the Board's Risk Retention Fund account at a level that will maintain a one month cash reserve for self-insured health plans. If at the end of a fiscal year the Risk Retention Fund falls below a level equal to a one month reserve, the Town will fund and credit the Board's account in the Risk Retention Fund with the amount of money necessary to re-establish and maintain said one month reserve. It is agreed further that if at the end of a fiscal year any funds remain in excess of said one month reserve, such monies (if any) may be used for any additional Risk Retention Fund purposes and/or any general town purposes as desired by the Town and the First Selectman. Any usage or transfer of such funds from the Risk Retention Fund shall be on notice to the Superintendent.

9. The Board's and Town's accounts in the Risk Retention Fund will be fully funded in the normal course of business as of the first day of each fiscal year. It is agreed that any shortfall in yearly budgeted amounts placed into the Town Risk Retention Fund and/or in self-insured reserves is the responsibility of the Town to correct in the normal course of business.

10. It is agreed that the one month reserve shall be maintained and may be used for the Board paying excess claims or costs, run-out claims in the event this Agreement is terminated and or the Board reverts to partial or fully insured status. Except for amounts in excess of the one month reserve at the end of a fiscal year, the Town may not remove or use any Board funds in the Board account in the Risk Retention Fund for any purpose whatsoever.

11. For purposes of this Memorandum of Understanding health insurance plans and expenses as referred to hereunder apply to medical, dental and prescription drug plans, whether self insured, fully insured or otherwise. The term does not apply to life, disability and/or any other plans unless the parties so agree by separate writing

12. This Agreement may be terminated by written notice of one party to the other, provided at least one month prior to the date of the Board's budget submission to the First Selectman. In the event of termination, the full amount of the Board's account from the Town's Risk Retention Fund, including the one month reserve, shall be forthwith under the custody of the Board, however, the amount in excess of the one month reserve remaining at the current fiscal year shall remain for the exclusive use of the Town.

Ann Clark

Ann Clark
Superintendent of Schools

Kenneth A. Flatto

Kenneth A. Flatto
First Selectman