

ARTICLE I TRUSTEES

Section 1. Number and Terms of Trustees. Utrust ,formerly known as The Tennessee School Boards Unemployment Compensation Trust) is governed by a board of trustees composed of seven members. Two members shall each be elected by the delegates in each grand division of the state. The seventh member shall be elected at large by all members in the Trust. Such divisions shall be reviewed periodically to assure that no more than a 20% variation in member count shall exist from division to division. Changes may be made by the Trustees as necessary to provide balance.

Members of the Board of Trustees shall serve staggered seven year terms. One trustee shall be elected each year . The term of each Trustee shall be from July 1 to June 30 and shall be for seven years except that terms may be altered as necessary to achieve these provisions.

Section 2. Eligibility of Trustees. Any person who is a member of the governing board of a Utrust member is eligible for election as a member of the Board of Trustees of the Utrust except as follows:

No person may be nominated or serve as a member of the Board of Trustees:

- (a) Who is a member of the governing board of any organization having a pecuniary interest in the decisions of the trust or which receive funds for any purpose from the Trust other than as a result of a properly filed claim.
- (b) Who is a member of any board, commission or other organization which could be presumed by the trust's attorneys to have a conflict of interest.

Section 3. Termination of Trustee. A trustee who serves on the governing board of a governmental entity which ceases to be a member of the Trust shall immediately cease to be a member of the Board of Trustees of the Utrust. A trustee whose membership on their local governing board terminates shall immediately cease to be a member of the Board of Trustees.

Section 4. Nominating Committee. The nominating committee shall consist of three Trustees. The Vice-Chairman of the Trust shall chair the nominating committee and shall select two additional Trustees, one from each of the remaining Grand Divisions of the State when possible. The Trust Administrator shall serve as an ex officio, non-voting member of the nominating committee. No Trustee whose term is expiring may serve on the nominating committee. If the term of the Vice-Chairman is expiring, the Chairman of the Board of Trustees shall chair the Nominating Committee and select the other two members as specified above.

The voting delegate(s) from each member board shall be notified no later than March 1 of the election year by the Administrator via the Trust's website, e-mail or regular mail about vacancies and procedures for nomination and election. The voting delegate may within 45 days of such notification, nominate any eligible person, for consideration. No person may be nominated simultaneously for an at-large and regional position as a trustee. Each voting delegate may nominate no more than one person. Such nomination shall be sent directly to the Administrator and shall include a resume' containing relevant experience of the candidate.

Names and details of each candidate nominated shall be given to the nominating committee for consideration. The Administrator shall present all submitted candidates and related information to the Nominating Committee.

The committee shall nominate at least one person, but not more than three, from each division where there is a vacancy to serve on the board of trustees. All nominees must be members of the governing board of a Trust member.

Section 5. Procedures for Election of Trustees. The Administrator shall cause an election to occur in each division in which a Trustee's term is scheduled to expire. Such election shall be consistent with the Terms of the Intergovernmental Agreement and the bylaws of the Unemployment Compensation Trust. Members of the Board of Trustees shall be eligible for re-election, provided no conflicts in law, the Intergovernmental Agreement or the Trust's bylaws exist.

Each board which is a member of the Trust may designate one voting delegate. If the member fails to designate a voting delegate, the Chairman of the Board of the governing body of the Trust Member shall be the presumed voting delegate. Each voting delegate will receive a ballot for the purpose of voting for a division representative to serve a seven year term on the Board of Trustees. Delegates may vote only for the representative to the Board of Trustees for the division where their entity is located except that all delegates may vote for the at-large member.

The Trust Administrator shall provide an official ballot with the name(s) and a biographical sketch of each nominee to each voting delegate. The ballot must include a date by which the ballot must be received by Utrust and a space for a write-in candidate. The Trust Administrator may use e-mail to conduct the election for the voting delegates. A nominee must receive a majority of the votes cast in order to be elected to the Board of Trustees. If no nominee receives a majority of the votes cast, a runoff election, using the same procedures as described above will be conducted between the top two nominees.

Section 6. Officers of the Trust. The officers of the Trust shall be Chairman and Vice-Chairman. Officers shall be elected by the Trustees annually from the members of the Board of Trustees. The term of officers shall begin on July 1 each year and terminate on the following June 30. An officer's term shall also cease upon their termination as a board member.

Section 7. Resignation of a Trustee. Any Trustee may resign upon giving notification in writing to the Chairman of the Board of Trustees or to the Trust Administrator.

Section 8. Removal of a Trustee. Any Trustee may be removed at any time by a majority vote of the Board of Trustees. If a Trustee is not present at three (3) trustee meetings during any term, the trustee's membership on the Board of Trustees shall terminate with the adjournment of the third meeting missed unless a two-thirds majority of the trustees present vote during the meeting to forgive the third absence. If such trustee misses a fourth meeting during one term, the removal of the trustee shall automatically become effective with the adjournment of the fourth meeting missed.

Section 9. Appointment of Successor Trustees. Trustees and all officers of the Trust shall each continue to serve until their successors are selected except for trustees who are removed or resign. Trustees appointed to fill vacancies shall serve until the expiration of the term of his or her predecessor.

Section 10. Vacancy of Officers. Upon the death, resignation or removal of the chairman, the vice-chairman will automatically assume the office of Chairman and a new Vice-Chairman shall be elected at the next meeting of the Trust. If the vacancy is for the office of Vice-Chairman, a new Vice-Chairman shall be elected at the next meeting of the Trust

ARTICLE II MEMBERSHIP

Section 1. Participation. Membership in the Utrust is open to new members only upon approval of the majority of trustees.

Section 2. Entry Rates. Membership is closed.

Section 3. Premium Calculation. The premium for each participating system in Utrust will be determined annually according to the following procedures:

1. The premium for each participating board will be the average claims for the past four and a half years.

Section 4. Billing Procedures. Premiums will be billed annually and must be postmarked by July 31. After that date, unpaid premiums will accrue interest at the rate of 2% per month.

ARTICLE III CODE OF ETHICS

Section 1. Applicability. This Code of Ethics is the Code for officials and employees of the Tennessee School Boards Unemployment Compensation Trust (hereinafter "Utrust"), and is to be incorporated by reference into the Intergovernmental Agreement with members of the Trust. It applies to all full-time and part-time elected or appointed officials and employees, whether compensated or not, including those of any separate board, commission, committee, authority, corporation, or other instrumentality appointed or created by the Trust.

Section 2. Definitions.

(a) "Trust" means the Tennessee School Boards Unemployment Compensation Trust, referred to hereinafter as the Utrust.

(b) "Trustees" means the governing board the Utrust as constituted pursuant to Article 1 of the By-Laws of the Utrust.

(c) "All officials and employees" means and includes any official, officer, whether elected or appointed, Trustee, employee or servant (whether compensated or not) of the Utrust.

(d) For the purpose of the disclosure of personal interests in accordance with this Code of Ethics, "personal interest" means a financial interest of the official or employee, or a financial interest of the official's or employee's spouse or child living in the same household, in the matter to be voted upon, regulated, supervised, or otherwise acted upon in an official capacity.

Section 3. Disclosure of personal interest in voting matters. An official or employee with the responsibility to vote on a measure shall disclose during the meeting at which the vote takes place, before the vote and to be included in the minutes, any personal interest that affects or that would lead a reasonable person to infer that it affects the official's or employee's vote on the measure. In addition, the official or employee may, to the extent allowed by law, recuse himself or herself from voting on the measure.

Section 4. Disclosure of personal interest in non-voting matters. An official or employee who must exercise discretion relative to any matter other than casting a vote and who has a personal interest in the matter that affects or that would lead a reasonable person to infer that it affects the exercise of the discretion shall disclose, before the exercise of the discretion when possible, the interest on the attached disclosure form and file the disclosure form with the Board of Commissioners. In addition, the official or employee may, to the extent allowed by law, charter, ordinance, or policy, recuse himself or herself from the exercise of discretion in the matter.

Section 5. Acceptance of gifts and other things of value. An official or employee, or an official's or employee's spouse or child living in the same household, may not accept, directly or indirectly, any gift, money, gratuity, or other consideration or favor of any kind from anyone other than the Trust:

- (a) For the performance of an act, or refraining from performance of an act, that he or she would be expected to perform, or refrain from performing, in the regular course of his or her duties; or
- (b) That a reasonable person would understand was intended to influence the vote, official action or judgment of the official or employee in executing the Trust's business.

Section 6. Ethics Complaints. Questions and complaints regarding violations of this Code of Ethics or of any violation of state law governing ethical conduct should be directed to the Chairman of the Board of Trustees of the Utrust. If a question or complaint involves the Chairman of the Trustees, the question or complaint should be directed to the Vice Chairman of the Board of Trustees. Complaints shall be in writing, signed by the person lodging the complaint, and shall set forth in reasonable detail the facts upon which the complaint is based.

The Chairman or Vice Chairman of the Trustees shall direct the Trustees' retained attorney to investigate any credible complaint against an official or employee charging any violation of this Code of Ethics and may request a legal opinion or recommendation for action. The Utrust's attorney may request that the Trustees hire another attorney to conduct the investigation or to give a legal opinion or recommendation when he or she has reason to believe that there may be a conflict of interest on a particular complaint. The investigating attorney shall report the results of his or her investigation and any legal opinion or recommendation requested to the Trustees. If a Trustee is the subject of a complaint, such Trustee shall recuse himself or herself from all proceedings involving such a complaint. The Trustees may:

- (1) in the case of a Trustee, publicly censure such member if the Trustees finds such action warranted;
- (2) in the case of a Trustee, report the complaint and actions taken by the Trustees to the Board of Education on which the Trustee serves;
- (3) in the case of an employee, refer the matter to the official responsible for supervision of the employee for possible disciplinary action if the official finds discipline warranted; or
- (4) in a case involving possible violation of state statutes, refer the matter to the district attorney for possible ouster or criminal prosecution.

The interpretation of a reasonable person in the circumstances shall be used in interpreting and enforcing this Code of Ethics. When a violation of this Code of Ethics constitutes a violation of the Utrust's personnel policy, the violation shall be dealt with as a violation of the personnel policy rather than as a violation of this Code of Ethics.

Section 7. Applicable State Laws. In addition to the ethical principles set out in this Code of Ethics, state laws also provide a framework for the ethical behavior of certain officials and employees in the performance of their duties. Officials and employees should familiarize themselves with the state laws applicable to their office or position and the performance of their duties. To the extent that an issue is addressed by state law (law of general application, public law of local application, local option law, or private act), the provisions of that state law, to the extent it is more restrictive, shall control.

**ARTICLE IV
GENERAL TRUST PROVISIONS**

Section 1. Amendments. These Bylaws may be amended by a vote of the majority of the Trustees at any meeting of the Trust, provided that notice of such proposed amendment shall have been given in writing ten (10) days in advance to all the Trustees. The Administrator shall forthwith notify the participating members of any and all amendments adopted.

Section 2. Service Companies. The Trust may work with service company(ies) or agent(s) to develop and implement any program for the purpose of reducing unemployment claims deemed desirable by the Trustees.

Section 3. Standards. The Trust shall set minimum standards and the Trust shall have the power to expel a participating member for non-compliance. The Trust shall make or cause to be made periodic inspections to determine compliance by individual participating members as well as the group as a whole, the Trustees shall maintain records to evaluate compliance with the minimum standards of performance.

ARTICLE V

MEETINGS OF TRUSTEES

Section 1. Regular Meetings. The Unemployment Trustees shall set the meeting schedule for the upcoming year at their summer meeting. The number of meetings and dates will be voted on at this time. The Chairman may cancel any meeting if there are no agenda items to be addressed. No proxy votes shall be permitted.

Section 2. Special Meetings. A special meeting may be called at any time by the Chairman or any three (3) of the trustees upon giving ten (10) days written notice to all trustees. An emergency meeting may be called with less than ten (10) days written notice provided that all trustees agree to such a meeting. An agenda specifying the subject of any special meeting shall accompany such notice and only business included on that agenda may be transacted. Members may attend special called meetings either in person or may participate in meetings by telephone or other means that permit the participants to hear and simultaneously talk to the other participants.

ARTICLE VI

NATURE AND USE OF FUNDS

Section 1. Audit. Trust shall maintain true and accurate books of account and records of its transactions which shall be audited at least annually by independent certified public accountants selected by the Trust. A statement of the results of said annual audit shall be made available for inspection of interested persons at the office of the Trust or such other place as may be designated by the Trust.

Section 2. Investment of Funds. The Trust may invest and reinvest such portions of the trust reserve which in its sole and absolute discretion is considered not to be required for current expenditures in any manner that is both prudent and permissible under the laws of the state of Tennessee.

Section 3. Investment Philosophy and Objectives

Investments are to be made consistent with the safeguards and diversity to which a prudent investor would adhere, i.e., exercising judgment and care, under the circumstances prevailing, which men of ordinary prudence would employ in the management of their own affairs...not in regard to speculation, but to the permanent disposition of their funds, considering both income and safety of capital.

Overall, the Trustees' highest priority is to preserve the purchasing power of Trust assets. The Trustees are willing to sacrifice some upside gain in rising markets to ensure less than proportionate losses in declining markets.

The long-term investment objective is to earn an annual compounded rate of return of 8%, net of fees and commissions. Assuming that inflation will average about 3% per year, over any three to five year period, Trust assets should increase in purchasing power by a real rate of return 5% higher than the Consumer Price Index.

Section 4. Time Horizon. Trust assets should be invested to maximize return in the long-term as opposed to being invested to minimize short-term volatility. Trust objectives are long-term in nature and constitute an investment horizon greater than 10 years. Annual withdrawals from the Trust may occur to cover operational and claims costs.

Section 5. Asset Allocation. The Trustees expect that 90% to 95% of Trust assets will be under the supervision of one or more professional investment managers in the future. The remainder Trust assets will be invested in cash and equivalents. The Trustees may alter the above guidelines and investments at any time as Trust objectives and market conditions dictate.

The target asset allocation for the Trust's total assets is as follows:

Equities	40 to 75%
Fixed Income	25% to 60%

Allocations may fluctuate as market conditions and management style dictates. However, Trust assets shall remain within the following guidelines:

<u>Asset Class</u>	<u>Target Weights</u>
Equities	Maximum of 75%
Bonds	Maximum of 60%
Cash	Maximum of 100%

Options and Direct Real Estate are unacceptable investments for Trust assets.

Section 6. Equities. Equities may be selected from the NYSE, AMEX and regional stock exchanges or NASDAQ. Only the stock of companies with a minimum capitalization of \$250 million with reasonable market liquidity may be purchased except where authorized specifically by the Board of Trustees. Short sales, margin transactions or similar investment activities are prohibited. No assets may be invested in securities whose issuers have filed a petition for bankruptcy.

With the above guidelines, the investment manager has full responsibility for security selection and diversification. However, an investment manager should not invest more than 5% of the account total in an individual security and not more than 20% in a single industry. Share values may rise to a level that would exceed these guidelines but managers shall use their judgment regarding rebalancing the portfolio.

Section 7. Fixed Income. Investment in fixed income securities may be selected from appropriately liquid preferred stocks, corporate debt securities, obligations of the U.S. Government and its agencies and securities convertible to equities. These investments will be subject to the following limitations:

1. No issues may be purchased with more than 30 years to maturity.

2. Investments in securities of a single issuer (with the exception of the U.S. Government) must not exceed 10% of the Trust's total market value.
3. Only corporate debt issues of investment grade or better may be purchased.

Section 8. Investment Manager Selection. The Trustees seek professional investment managers who hold assets through periods of short-term volatility (less than one year). The Trustees seek investment managers that invest either in one type of security such as equities or fixed income or in balanced accounts including equities and fixed income.

The investment advisors should concentrate the portfolio in the "best" stocks and industries according to prevailing market conditions. The Trustees prefer that assets be placed in the stocks and bonds of mid and large capitalization companies. Investment strategy should be based on disciplined, quantitative investment methodology.

Each investment manager is subject to all restrictions and investment guidelines within this document. However, each manager will have full discretion over the purchase and sale of individual securities.

Section 9. Fees

The Trustees are permitted to compensate the investment managers and/or consultants with such fees as may be reasonable and competitive and are not excessive and detrimental to the Trust's long-term viability. It shall be incumbent upon the investment managers and/or consultants to fully represent all costs and fees associated with the management of the Trust.

Section 10. Risk Tolerance

The Trust will tolerate a loss no more frequently than three years out of every ten years, but will never tolerate extreme loss of more than 15% of the portfolio's highest value minus withdrawals. If losses reach 10%, the investment consultant is automatically on probation. Termination will be automatic if losses reach 15% unless the trustees act to prevent it.

The administrator shall take the following steps to implement this provision:

1. When losses reach 10%, the administrator shall send the consultant a notice of probation and a copy of this bylaw regarding risk tolerance.
2. If losses reach 15%, the administrator shall notify the trustees and inform them that the consultant is about to be terminated in accordance with bylaws unless the trustees intervene immediately.
3. If the trustees do not intervene, the administrator shall send the consultant a notice of termination.
4. The administrator and Director of Finance and Administration shall employ a temporary financial adviser and follow the advice of that adviser until the board of trustees can hold an emergency meeting.

In order to contain the risk exposure of the portfolio within the defined parameters, the investment consultant shall continuously monitor the portfolio's risk in the context of its asset allocation, manager style and the overall market and economic conditions.

Investment managers must perform in the top 25% of their peer group two out of every five years. Any investment manager who does not meet these criteria will be terminated unless the investment consultant places the manager on probation instead and provides the trustees and the administrator reasons for the decision.

An investment manager generally will be given a three year investment cycle unless factors and events controlled by the firm lead to early termination. The trustees reserve the right to terminate a manager or the investment consultant at any time.

Section 11. Asset Manager Performance Review. The Trustees will monitor performance of the portfolio using the monthly and quarterly statements provided by the Trust's investment consultants. The investment consultants shall provide the Trustees with manager performance numbers and appropriate benchmark data with which to evaluate the managers' performance. While mindful of the specific goals of the Trust, the investment consultants shall provide data on a benchmark comprised of an appropriate mix of indices and such other benchmark data as may be requested or relevant.

A file of the written confirmations of every transaction and the monthly and quarterly statements documenting total assets, including gains and/or losses in each security since original purchase date will be maintained by the staff.

The Trustees will continually review the liquidity needs of the Trust and will notify the investment consultants as soon as possible of any significant changes in anticipated needs as set forth in this document. The Trustees will review this document annually to ensure its continued relevance and to make changes as new conditions dictate.

Section 12. Financial Institution. All monies received by the Trust shall be deposited in such financial institutions as the Trust may designate for that purpose.

Section 13. Withdrawals. All withdrawals of monies from such financial institutions shall be made only by electronic transfer or by check signed by the Treasurer of the Trust or his/her designee.

Section 14. Bonding. Each Trustee and each person who is authorized to sign and countersign checks or who may be engaged in handling monies or securities held by the Trust shall be bonded at the expense of the Trust by a duly authorized surety company in such amount or amounts as may from time to time be required by the Trustees.

Section 15. Distribution of Reserves. In years where the accumulated reserve of the Utrust is in excess of \$15 million adjusted according to inflation, the trustees may elect to declare a dividend to member boards which must have done the following:

1. Did not non-renew employees and rehire 25% or more of the non-renewed employees at the end of the summer.
2. Attended Employment Seminars as scheduled.
3. Adhered to all other policies and procedures adopted by the Utrust Trustees.
4. Pays all employees during emergency school closings

Dividends will be determined based on the following provisions:

1. Dividends will be affected proportionately by the member board's experience in-Utrust.
2. Any member board that has demonstrated excellence in employee management by qualifying for a 5 Star Award-will receive an extra 25% incentive award.
3. No member board will receive a dividend larger than their premium except as a 25% Five Star incentive award.

The distribution will be in the form of a dividend through Utrust mini-grants. The Trust Administrator shall develop administrative procedures as necessary to carry out the distribution.