



ORDER

OF THE COMMISSIONERS COURT Of Polk County, Texas

WHEREAS, Polk County, Texas (the "County") has previously provided certain group medical insurance continuation benefits to retirees of the County on a "pay-as-you-go" basis; and

WHEREAS, the Government Accounting Standards Board has adopted Statement No. 45 ("GASB No. 45") with respect to the accounting and financial reporting by governmental employers for post-employment benefits other than pensions ("OPEB"); and

WHEREAS, the County desires to restructure the manner in which it funds post-employment benefits pursuant to GASB NO. 45 requirements; and

WHEREAS, GASB No. 45 contains provisions allowing governmental entity employers to create an irrevocable trust to hold funds for the benefit of their OPEB plan in order to favorably affect their reporting obligations under GASB No. 45, and

WHEREAS, the County desires to create an irrevocable trust for such purpose and to provide for the initial funding of such irrevocable trust.

NOW THEREFORE, IT IS ORDERED, by the Commissioners Court of Polk County, Texas, meeting in Regular Session at an officially called meeting, as follows:

1. The Trust Agreement designated as POLK COUNTY, TEXAS RETIREE HEALTH BENEFITS TRUST, attached hereto as Exhibit A is approved.
2. The members of the Commissioners Court of Polk County, Texas are appointed as the Trustees of the POLK COUNTY, TEXAS RETIREE HEALTH BENEFITS TRUST.
3. The sum of One Hundred Dollars (\$100) from Polk County General Fund is hereby appropriated for deposit into POLK COUNTY, TEXAS RETIREE HEALTH BENEFITS TRUST as the initial corpus.
4. The County Auditor is directed to prepare a schedule of transfers for the Court to consider at a subsequent meeting to additionally fund the County's OPEB liability under GASB No. 45.

Exhibit A
to
Order of Polk County, Texas
Commissioners Court

Form of Polk County, Texas
Retiree Health Benefits Trust

**POLK COUNTY, TEXAS
RETIREE HEALTH BENEFITS TRUST**

This Trust Agreement ("Trust Agreement") is made as of the 28th day of June, 2011 by Polk County, Texas (the "County"), as settlor ("Settlor"), for the benefit of current and future participants ("Beneficiaries") in the County's retiree group medical insurance continuation plan (the "Retiree Medical Benefits Plan") and the undersigned initial Trustees of the Trust.

RECITALS:

A. The County has previously provided certain group medical insurance continuation benefits to retirees of the County on a "pay-as-you-go" basis.

B. In 2004, the Government Accounting Standards Board adopted Statement No. 45 ("GASB No. 45") with respect to the accounting and financial reporting by governmental employers for post-employment benefits other than pensions ("OPEB").

C. GASB No. 45 contains provisions allowing governmental entity employers to create an irrevocable trust to hold funds for the benefit of their OPEB plans in order to favorably affect their reporting obligations under GASB No. 45, and the County desires to utilize such provisions.

NOW, THEREFORE, the County as Settlor does hereby grant, assign and deliver unto the Trustees the sum of \$100, the receipt of which is acknowledged by the Trustees, to have and to hold in trust as hereinafter provided, such funds and all other funds and property which may hereafter be received by the Trustees as additions to the Trust Estate pursuant to this Trust Agreement, to be utilized by the Trustees to accomplish the purposes the Trust hereby created. In furtherance of such purposes, the County and the Trustees agree as follows:

ARTICLE 1
DEFINITIONS

As used herein, the following terms shall have the meanings indicated.

1.01 "Beneficiaries" shall mean the current and future participants in the County's Retiree Medical Benefits Plan.

1.02 "County" means the County of Polk, Texas.

1.03 "GASB No. 45" shall mean Government Accounting Standards Board Statement No. 45 adopted in June 2004, as same may be revised or amended from time to time.

1.04 "Retiree Medical Benefits Plan" shall mean the County's practice of continuing medical insurance for its retirees (including persons entitled to disability retirement benefits) and their spouses, dependents and surviving spouses of retirees, as same may be revised or amended from time to time by action of the County's Commissioners Court in such manner as the County may deem appropriate in the sole discretion of the County's Commissioners Court. The terms of the Retiree Medical Benefits Plan are presently set forth in the County's Employee Handbook.

1.05 "Settlor" means the County acting in its capacity as the contributor funds to the Trust Estate.

1.06 "Trust" shall mean the Trust created pursuant to the Trust Agreement.

1.07 "Trust Estate" shall mean the initial contribution by the County to the Trustees at the time of creation of the Trust and all additions thereto and earnings thereon.

1.08 "Trustees" shall mean the members of the Polk County Commissioners Court, as same may be constituted from time to time. Acceptance by a person of the office of County Judge or as a Commissioner of the Commissioners Court of Polk County shall also constitute acceptance of the position of a Trustee of this Trust.

ARTICLE II

CREATION AND PURPOSE OF TRUST

2.01 Creation of Trust. There is hereby created an irrevocable trust for the benefit of the Beneficiaries, being current and future participants in the County's Retiree Medical Benefits Plan. The sum of \$100 shall be the initial Trust Estate of the Trust.

2.02 Purpose. The purpose of the Trust shall be (i) to pay insurance premiums on group health insurance for the benefit of Beneficiaries to the extent the County agrees to do so under the terms of the Retiree Medical Benefits Plan and to pay any other health benefits as may become available to participants in the Retiree Medical Benefits Plan, in each case, only to the extent the Trustees determine it is appropriate and advisable to do so; (ii) receive group health medical premiums paid by retirees, spouses of retirees, dependents and surviving spouses of County retirees participating in the Retiree Medical Benefits Plan, (iii) to receive such other funds as the County or others may elect to contribute to the Trust; and (iv) to pay any liabilities and expenses incurred in carrying out the purposes of the Trust. No portion of the Trust Estate may be used or be available to pay creditors of the County.

2.03 Future Annual Contributions by County. It is anticipated that the County will make additional contributions to the Trust in order to fund all or part of the "Past Service Liability" and the "Annual Required Contribution" (as such terms are defined in GASB No. 45) of its Retiree Medical Benefits Plan under GASB No. 45. However, the County shall have no obligation to do so as a result of this Trust Agreement. The Trustees acknowledge that this Trust Agreement allows the County to elect not to contribute any portion of such Annual Required Contribution to the Trust Estate and also allows the County to make any changes to benefits under the Retiree Medical Benefits Plan that the County considers appropriate in its sole discretion.

ARTICLE III
DURATION OF TRUST

The Trust shall terminate upon the earliest of the following having occurred: (i) all Beneficiaries have received all benefits which they are eligible to receive under the terms of the Retiree Medical Benefits Plan, (ii) the Trust Estate has been exhausted and there are no prospects for it being replenished, or (iii) the Trust fails for any reason or is terminated by operation of law. For purposes of clause (i) above, it is understood that the County may in the future eliminate retiree medical benefits to (a) new employees, (b) persons who are not currently retired, (c) persons who are not currently eligible to retire, and/or (d) existing retirees. As a result, it may be that no new retirees will be added to the Retiree Medical Benefits Plan. If that occurs, at some future date there will be no surviving retirees participating in the Retiree Medical Benefits Plan and the Trust will terminate pursuant to clause (i). It is also acknowledged that the County may in the future terminate the Retiree Medical Benefits Plan if the United States or the State of Texas adopts an adequate retiree medical benefits program in which the County's employees and/or retirees (including persons entitled to disability retirement benefits) and their dependents and surviving spouses of retirees may participate. In such situation, the Trust would also terminate pursuant to clause (i). Upon termination of the Trust, the Trustees shall wind-up the Trust as provided in Article IX, and any remaining portion of the Trust Estate shall be distributed to the County.

ARTICLE IV
THE TRUSTEES; OFFICERS, EXPENSES AND MEETINGS OF TRUSTEES

4.01 Trustees. The Trustees are the members of the Polk County Commissioners Court (the "Commissioners Court"), as same may be constituted from time to time. The term of each Trustee shall be contemporaneous with his or her term of office as a member of the Commissioners Court. Whenever a Trustee ceases to be a member of the Commissioners Court,

the person succeeding him or her in office will automatically serve as a successor Trustee of the Trust.

4.02 Officers. The County Judge shall be the Chair of the board of Trustees. The most senior member of the Commissioners Court shall be the Vice Chair of the board of Trustees, the County's Treasurer shall be the Treasurer of the Trust and the County Clerk of the Commissioners Court shall be the Secretary of the board of Trustees. The Chair shall preside at meetings of the Trustees and shall have all such other powers as are conferred herein or by majority vote of the Trustees. The Vice Chair shall preside at meetings of the Trustees whenever the Chair is absent. The Chair (or Vice Chair in the absence of the Chair) will prepare meeting agendas and give notice of meetings to the Trustees. The Treasurer shall keep the financial records of the Trust. The Secretary shall keep the minutes of the meetings of the Trustees.

4.03 Expenses of Trustees. The Trustees shall be reimbursed for all reasonable and necessary expenses incurred by them in the performance of their duties but will otherwise receive no compensation for their service as Trustees. Such restriction on compensation shall not affect the right of the Trustees to receive their compensation as Commissioners of the County Court or as County Judge.

4.04 Meetings. A meeting of the Trustees may be called by the Chair or on written request to the Chair by two or more Trustees. Trustees shall be given at least seventy-two (72) hours written notice of any meeting; provided however, that in the case of an emergency a meeting may be held on two (2) hours prior notice. For purposes of this section, electronic mail notice or fax notice is written notice. Waiver of notice by a Trustee may be used to satisfy the obligation to give notice. Participation in a meeting by a Trustee, other than for the purpose of objecting to absence of the required prior notice, shall constitute waiver of notice by the Trustee so participating. Notwithstanding the foregoing, all meetings of the Trustees shall be called and

held in accordance with the Texas Open Meetings Act.

ARTICLE V
RIGHTS, POWERS, AND DUTIES OF TRUSTEES; QUORUM AND VOTING

5.01 Rights, Powers, and Duties. In addition to any other powers and duties conferred on them by this Trust Agreement and imposed or authorized by law, the Trustees shall have the following powers and duties:

1. The Trustees shall carry out all of the duties necessary for the proper operation and administration of the Trust on behalf of its Beneficiaries and shall have all the powers necessary and desirable for the effective administration of the affairs of the Trust.
2. The Trustees have the general power to make and enter into all contracts, leases, and agreements necessary or convenient to carry out any of the powers granted by this Trust document or by law or to effectuate the purpose of the Trust. All such contracts, leases, and agreements or any other legal documents herein authorized shall be approved by the Trustees and shall be signed by the Chair or Vice Chair on behalf of the Trust. The Trustees may also designate another Trustee to sign such documents on behalf of the Trust.
3. The Trustees shall use the Trust's funds to accomplish the purpose of the Trust, as described in Article II, and to operate and administer the Trust solely in the interest of the Beneficiaries and the Retiree Medical Benefits Plan. The amount of any payments for the benefit of the Retiree Medical Benefits Plan and/or Beneficiaries shall be subject to the reasonable discretion of the Trustees after considering all relevant factors, including but not limited to the financial circumstances of the County.

4. The Trustees may accept contributions to the Trust Estate from any source.
5. The Trustees shall arrange for the investing of the funds of the Trust according to the requirements of the Texas Trust Code, the policies and procedures adopted by the Trustees and all legal requirements applicable to investments by Texas counties. The Trustees may hire money managers and shall adopt an investment policy for their own use and that of their agents in making investments. The Trustees shall select a depository for the Trust's funds. All accounts containing the Trust's funds shall be in the name of the Trust. The Trustees shall designate the County's Treasurer, the County Clerk and the County Auditor as signatories for the Trust's depository account(s). In making disbursements of Trust funds, the Trustees shall utilize the County officers, and such officers shall follow the same approval and disbursement procedures as are utilized when the County obtains approval for and makes disbursements of County funds.
6. The Trustees may purchase out of the Trust funds insurance for the Trustees and any other fiduciaries appointed by the Trustees and for the Trust itself to cover liability or losses occurring by reason of the act or omission of any one or more of the Trustees or any other fiduciary appointed by them. Any insurance purchased by the Trustees must give the insurer recourse against the Trustees or other fiduciaries concerned for breach of any fiduciary obligation or fiduciary duty owed to the Trust.
7. The Trustees shall arrange for proper accounting and reporting procedures for the Trust's funds and shall also provide for an annual audit of the Trust's financial affairs by a certified public accountant. Such annual audit of the Trust may be conducted as a part of the annual audit of the County's financial statements.

8. The Trustees may retain legal counsel to represent the Trust and the Trustees in all legal proceedings as well as to advise the Trust and the Trustees on all matters pertaining to the operation and administration of the Trust.
9. Upon termination of the Trust, the Trustees shall pay or provide for the payment of all Trust obligations.
10. The Trustees shall have the power to acquire, by purchase or otherwise, retain, invest, reinvest, and manage investments acquired with the Trust Estate; to sell, exchange, encumber, or otherwise dispose of any asset of the Trust, publicly or privately, wholly or partly for cash or credit, without appraisal, and to give options for those purposes; to abandon, compromise, contest, and arbitrate claims; to hold title in the name of a nominee; to adopt policies and regulations for the efficient operation of the Trust; to determine all matters of trust accounting as established by controlling law or customary practices; to set up and maintain reasonable reserves for expenses; to employ agents, accountants, brokers, attorneys-in-fact, attorneys-at-law, tax specialists, realtors, investment counsel, and other assistants and advisers; to delegate powers and duties to other persons, partnerships, corporations, and financial or business organizations; and to exercise any of the rights of trustees under the Texas Trust Code; provided, however, any investment of the Trust Estate shall be in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as presently written, subsequently amended, or hereafter re-codified, and the County's Investment Policy as promulgated thereunder.

5.02 Quorum and Voting. A majority of the Trustees shall constitute a quorum for the transaction of business at any meeting of the Trustees, and the vote of a majority of the Trustees present at the meeting at which a quorum exists shall be required for approval of any action at such meeting. The vote of such majority of the Trustees at such meeting shall constitute action of the Trustees as a group.

ARTICLE VI **BENEFICIARIES**

The Beneficiaries of the Trust are the current and future participants in the Retiree Medical Benefits Plan. No Beneficiary shall have any claim against the Trust Estate. The rights and interests of the Beneficiaries are limited to the health insurance continuation benefits (or any other benefits as may be available in the future) provided to participants under the terms of the County's Retiree Health Benefits Plan, as same may be amended from time to time by the County's Commissioners Court. Unless required to be provided under the Texas Open Records Act, beneficiaries shall have no right to inspect the books and records of the Trust but shall be entitled to receive copies of any financial statements of the Trust which are made publicly available by the Trustees. Beneficiaries shall not have a right to demand an accounting from the Trustees under the Texas Trust Code.

ARTICLE VII **TRUST FUNDS**

The Trust Estate consists of the funds initially contributed to the Trustees to institute this Trust, future contributions by the County, investment income, and any other money or property which shall come into the hands of the Trustees in connection with the administration of the Trust. All funds of the Trust which are not insured by the Federal Report Insurance Corporation shall be secured in a manner which complies with the Public Funds Collateral Act, Section 2257 of the Texas Government Code. The Trustees may use the Trust's funds as follows:

1. to pay all expenses which the Trustees consider necessary in establishing the Trust and in administering the Trust and all reasonable expenses incurred by the Trustees in the performance of their duties;
2. to pay (i) premiums on any insurance policies obtained for participants in the Retiree Medical Benefits Plan, and (ii) any other benefits payable by the County to participants pursuant to the Retiree Medical Benefits Plan;
3. to make authorized investments;
4. to pay for all necessary professional services, property, and equipment required for the proper operation of the Trust;
5. to pay all legal obligations of the Trust; and
6. to pay any judgment entered against the Trust or to compromise and settle claims or litigation to which the Trust is a party.

The Trust's funds shall be segregated from, and shall not be co-mingled with, any of the County's other funds.

ARTICLE VIII
LIABILITY OF TRUSTEES AND OFFICERS

8.01 Standard of Care. The Trustees shall use ordinary care and reasonable diligence in the exercise of their powers and the performance of their duties hereunder; and they shall not be liable for any mistake of judgment or other action made, taken or omitted by them in good faith, nor for any action taken or omitted by any agent, employee or independent contractor selected with reasonable care; nor for loss incurred through investment of the Trust funds reasonably believed to be in accordance with the County's investment policy. No Trustee shall be liable for any action taken or omitted by any other Trustee. No Trustee shall be required to give a bond or other security to guarantee the faithful performance of his or her duties hereunder.

8.02 Reliance on Experts. To perform any act required or permitted by this Trust Agreement, the Trustees may, but shall not be required to, consult with legal counsel, accountants and other parties deemed by the Trustees to be qualified as experts on the matters submitted to them, who may be employees of the County, and the opinion of any such parties on any matter submitted to them by the Trustees shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustees hereunder in good faith and in accordance with the opinion of any such party.

8.03 Indemnification and Payment of Expenses. To the fullest extent permitted by law (a) the Trust shall indemnify each Trustee against any loss, liability or expense incurred by the Trustee by reason of the Trustee being a party to, or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding ("*Proceeding*"), any appeal therein, or any inquiry or investigation preliminary thereto, by reason of the fact that the Trustee is or was a Trustee; and (b) the Trust shall pay or reimburse a Trustee for expenses incurred (i) in advance of the final disposition of a Proceeding to which such Trustee was, is or is threatened to be made a party, or (ii) in connection with such Trustee's appearance as a witness or other participation in any Proceeding.

ARTICLE IX
AMENDMENT, REVOCATION AND TERMINATION

The Trustees shall have the power to amend or modify this Trust Agreement in order to comply with applicable legal requirements or to carry out the purposes of this Trust. Any such amendment or modification shall be by a majority vote of the Trustees at a duly called meeting. Notwithstanding the foregoing, the Trustees shall have no power to terminate this Trust Agreement or to change the purposes of the Trust. Beneficiaries of the Trust shall have no right

to amend this Trust, and their approval shall not be a condition or requirement for an authorized amendment or modification by the Trustees. This Trust Agreement and the Trust created herein shall terminate as provided in Article III. Upon termination of the Trust, the Trustees shall pay, or provide for the payment of, all obligations, debts, losses, and other liabilities of the Trust. Thereafter, any remaining trust funds shall be paid to the County.

ARTICLE X
GOVERNING LAW

This Trust Agreement and the Trust created herein shall be construed and governed by the laws of the State of Texas in force from time to time.

ARTICLE XI
MISCELLANEOUS

9.01 Rule of Interpretation. Whenever the context so admits and such treatment is necessary to interpret this Trust Agreement in accordance with its apparent intent, the use herein of the singular shall include the plural, and vice versa, and the use of the feminine, masculine, or neuter gender shall be deemed to include the other genders.

9.02 Savings Clause. If any clause or provision of this Trust Agreement proves to be or is adjudged invalid or void for any reason, such invalid or void clause, provision, or portion shall not affect the whole, but the balance of the provisions hereof shall remain operative and shall be carried into effect insofar as is legally possible.

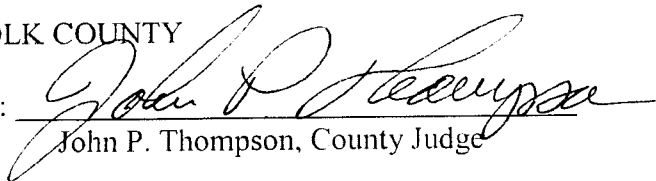
IN WITNESS WHEREOF, the undersigned parties have executed this Trust Agreement, consisting of thirteen (13) pages, on the dates of their respective acknowledgments below. By joining in the execution of this Trust Agreement, the Trustees acknowledge receipt of the property described in Section 2.01, signify acceptance of the Trust created hereunder, and covenant that

their obligations as Trustees will be executed with all due fidelity. This Trust is effective as of the last date of signature below.

SETTLOR:

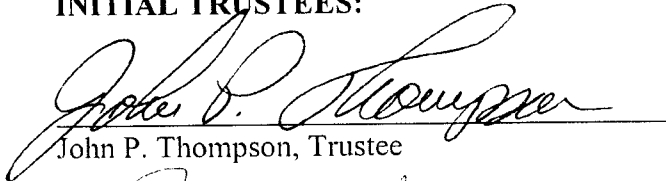
Date of Signature:

POLK COUNTY

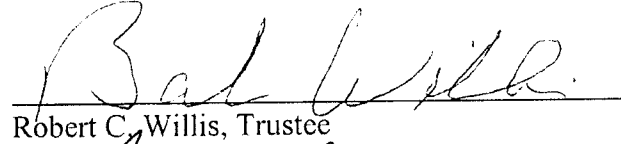
By: 
John P. Thompson, County Judge

June 28, 2011

INITIAL TRUSTEES:


John P. Thompson, Trustee

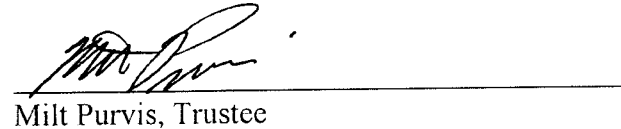
June 28, 2011


Robert C. Willis, Trustee

June 28, 2011


Ronnie Vincent, Trustee

June 28, 2011


Milt Purvis, Trustee

June 28, 2011


C.T. Overstreet, Trustee

June 28, 2011