



**Rules of the PMAA Unemployment  
Compensation Claims  
Administration Program**



**INCLUDES ALL AMENDMENTS THROUGH OCTOBER 1, 2015**

# Rules of the PMAA Unemployment Compensation Claims Administration Program

## I. DEFINITIONS

- 1.1 The term “**Association**” means the Pennsylvania Municipal Authorities Association
- 1.2 The term “**Compensation Law**” means the Pennsylvania Unemployment Compensation Law, Act of December 5, 1936, P.L. [1937] 2897; 43 P.S. §51 *et seq.*
- 1.3 The term “**Participants**” means the member authorities of the Association which have elected to subscribe to, and participate in the Program.
- 1.4 The term “**Program**” means the Unemployment Compensation Claims Administration Program established by the Association in 1981 for the benefit of subscribing member authorities.
- 1.5 The term “**UC Fund**” means the fund described in Rule 3.4.

## II. THE PROGRAM

- 2.1 The Program shall operate as a joint underwriting pool and shall indemnify the Participants against their respective liabilities for benefits payable under the Compensation Law, but only to the extent of available balances in the UC Fund. All obligations of the Program to the Participants shall be limited to such balances.
- 2.2 Subject to these Rules, the Program shall indemnify the Participants, in accordance with Schedule A hereto, for liability under Article XII of the Compensation Law, 43 P.S. § 911 *et seq.*, on the basis of elections by each Participant to pay benefits on the reimbursement method described at Section 1202.2 of the Compensation Law; 43 P.S. 912.2. The Program’s obligation to indemnify the Participants may be retroactively amended only with the consent of all Participants. For prospective coverage, the indemnity obligation may be amended on a non-discriminatory basis upon the affirmative vote of at least two-thirds of the Participants. Any change in the indemnity obligation shall take the form of an amendment to Schedule A.
- 2.3 The Program shall operate only as a joint underwriting pool among the Participants *inter se*. The Program shall not contract with, or otherwise be liable directly or indirectly to, the Commonwealth of Pennsylvania or any other third-party for the payment of compensation benefits. There are no third-party beneficiaries of the Program, intended or otherwise, and the Program’s assets and the contributions of the Participants shall not be subject to attachment, levy, garnishment or other execution proceedings by judgment creditors of any one or more of the Participants. The interest of the Participants in the Program is limited to a contractual right to indemnity and a right to the services furnished under the Program, and the Participants shall not have a special trust or other ownership interest in any particular Program assets, reserve funds, or other properties, except as provided at Rule 8.4.
- 2.4 The Participants shall be solely responsible for the making of individual elections for their own accounts under Section 1202.2 of the Compensation Law. Except as otherwise expressly provided by these Rules, the Participants shall likewise be solely responsible for the performance of, and for compliance with, all other requirements of the Compensation Law including, without limitation, reporting, notice and payment requirements.
- 2.5 The Program shall be managed and administered by a Committee of seven Trustees. Five of the Trustees shall be appointed by majority vote of the Association’s Board of Directors. In addition, the President and Executive Director of the Association shall serve as Trustees *ex officio* with full voting rights. The Trustees may act only by majority vote. A quorum of not less than five shall be required for any action or determination by the Trustees.
- 2.6 The Program shall be organized and shall operate on the basis of a Plan Year commencing January 1<sup>st</sup> and ending December 31<sup>st</sup>.

2.7 The Program shall be funded through annual premium charges to the Participants, established in accordance with Article III below.

2.8 The Program shall provide, *inter alia* the following services and functions to the Participants:

- (a) Determination of actuarially sound funding methods and premium charges.
- (b) Investment and management of reserves.
- (c) Collection and storage of payroll and separation information, as required to process benefit claims.
- (d) Claims analysis, processing and payment.
- (e) Representation and assistance of Participants in claims proceedings.
- (f) Reports on, and financial audits of the Program.
- (g) Development and delivery of education and training programs.
- (h) Fiscal audits of invoices received from the State with respect to benefits paid or payable, refunds and other adjustments.

2.9 The Trustees shall have the right to employ third-party consultants, counsel, accountants and administrators in connection with the functions and services described in Rule 2.8. The Association shall be compensated by the Trust for administrative offices, support personnel, services and facilities provided to the Trustees by the Association, as agreed from time to time by the parties.

2.10 New member authorities may be admitted as Participants in the Program upon application to the Trustees. Applications shall be filed with the Trustees not later than 30 days preceding commencement of the Plan Year for which participation is to be effective, and shall be on such forms and shall include such information as may be prescribed or requested by the Trustees. All applications shall be subject to review and approval by the Trustees or with the approval of the Trustees by the Association's Executive Director. Premiums charges to newly admitted Participants may differ from those applicable to existing Participants to reflect such experience rating considerations as the Trustees deem appropriate, in their sole discretion.

### III. FUNDING AND RESERVE MANAGEMENT

3.1 Premium charges to the Participants shall be developed by the Trustees on an annual basis. Premium charges may be experience-rated to account for differences in loss experience among the Participants and, in any event, shall be determined on the basis of (i) adequacy of the Program's existing reserves; (ii) losses incurred; and (iii) loss projections. The Trustees may reduce premium charges to the Participants, on a non-discriminatory basis, whenever it appears that existing reserves are greater than needed to operate the Program on an actuarially sound basis, in their sole discretion.

3.2 The Trustees shall notify the Participants of their premium charges not less than 60 days prior to commencement of the Plan Year in which such charges will become effective. The published premium charges shall be accompanied by an explanation of any changes made in the Program's prevailing charges to Participants and of any change in the method of underwriting individual Participant risks.

The structure for calculating the premium to be charged for participation in the PMAA Unemployment Compensation Claims Administration Program shall be as follows and shall become effective January 1, 2005

#### A. Definitions

- 1. Fiscal Year ó The fiscal year, which is used to determine the rate for computing premiums to be paid by each participant for each employee, is defined as July 1 through June 30.
- 2. Participant ó A participant is defined as a dues paying member of the Pennsylvania Municipal Authorities Association which member is an incorporated municipality authority of the Commonwealth of Pennsylvania.

3. Chargeable Unemployment Compensation Benefits ó Chargeable Unemployment Compensation Benefits are defined as those monetary payments made to a claimant by the Commonwealth of Pennsylvania which payments are charged against the claimant's and employer's record and which are not expunged from the employer's record by the Commonwealth.
- B. The Trustees of the Program shall establish, not later than November 1 of each calendar year, the wage base upon which the rate to be charged each Participant shall be computed. Each Participant shall be advised of the wage base established by the Trustees not later than November 1 of each calendar year. The wage base to be established each year is defined as the dollar volume of the salaries and wages paid each employee that is to be used in computing the premium charged each Participant for each covered employee.
- C. The Trustees of the Program shall set, not later than November 1 of each calendar year, the percentage rate that is to be used in computing the amount to be charged each Participant for each covered employee. Each Participant, in turn, shall be advised not later than November 1 of each calendar year the established rate that has been set by the Trustees for the next calendar year.
- D. Each Participant shall be informed not later than January 31 of each calendar year the premium to be charged for each employee for the ensuing calendar year.
- E. The annual dollar volume to be charged each Participant shall be computed by multiplying the wage base set under Paragraph B hereof by a percentage set for each Participant which percentage shall be derived from the schedule herein.
- F. Effective for the calendar year next succeeding the date of adoption of this Resolution those Participants whose current and/or former employees have been paid chargeable unemployment compensation benefits the total of which has not exceeded the total dollar volume of premiums paid to the PMAA UC Trust Fund in each of the two fiscal years immediately preceding the calendar year for which the percentage rate has been set shall be charged the dollar volume which is calculated by multiplying the wage base set under Paragraph B hereof by the established percentage rate set under Paragraph C hereof. In succeeding calendar years those Participants whose current and/or former employees that have been paid chargeable unemployment compensation benefits the total dollar volume of which in each of the two preceding fiscal years does not exceed the total dollar volume of premiums paid in each of those two preceding fiscal years shall be charged a premium calculated using the established rate set under Paragraph C hereof.
- G. Effective for the calendar year next succeeding the date of adoption of this Resolution those Participants whose current and/or former employees have been paid chargeable unemployment compensation benefits in a total amount in excess of the total premium paid to the PMAA UC Trust Fund in either of the two fiscal years immediately preceding the calendar year for which the established rate to be used in calculating the premium to be paid shall pay a premium for each covered employee calculated by using the established rate set under Paragraph C hereof plus one-half of one percent (0.5%).
- H. In each successive year the total chargeable unemployment compensation benefits paid to current and/or former employees of each Participant shall be compared to the total premiums paid by each Participant. In the event the chargeable unemployment compensation benefits paid in the immediately preceding fiscal year exceed the premiums paid for the immediately preceding fiscal year the rate to be used in calculating a premium for the Participant shall be increased an additional one-half of one percent (0.5%). Conversely in the event the UC benefits paid are less than the premiums paid, the rate to be used in calculating a premium for the Participant shall be decreased by one-half percentage point (0.5%). The comparison of premiums paid versus chargeable unemployment compensation benefits paid shall continue on a yearly basis, and the rate used to calculate a premium shall be increased or decreased one-half of one percent (0.5%) depending on whether benefits paid are more or less than premiums paid.
- I. In the event chargeable benefits paid exceed premiums paid for five (5) consecutive years and the rate used to calculate a premium for the Participant has reached a level of the established rate set under Paragraph C hereof plus 2.5% the Trustees reserve the right to determine on an individual basis the rate to

be used in calculating a premium for the sixth year following the consecutive five year period. The Trustees shall continue, on an ongoing basis, to determine the rate to be used in calculating premiums for each Participant whose former and/or current employees have been paid chargeable UC benefits which benefits are in excess of the premiums paid for five or more consecutive fiscal years. Any Participant whose premium has been set manually by the Trustees shall have the right to petition the Board of Trustees for relief in his premium. The petition shall include sufficient information so as to convince the Trustees a revision to the premium being charged is warranted and equitable. Any such Petition shall be considered by the Trustees at the next scheduled meeting of the Board of Trustees following receipt of the petition.

- J. At no time shall a rate used to calculate premiums be less than the established rate then in effect except for those Participants falling under the provisions of Paragraph K below. The Trustees reserve the right to adjust rates used to calculate premiums as necessary based of the fiscal needs of the UC Fund.
- K. Assuming a participant whose current and/or former employees were paid chargeable UC benefits in a total amount equal to or less than the total premiums paid in each of the ten (10) consecutive fiscal years immediately preceding the current year, the Trustees in that event reserve the right to use a rate in calculating premiums equal to the established rate set under Paragraph C hereof minus two tenths of one percent (0.2%). This rate shall remain in effect until such time as to when chargeable UC benefits paid exceed premiums paid in any one fiscal year. In such event the rate used to calculate a premium for the Participant shall be increased to the established rate set under Paragraph C hereof. In subsequent years the rate used to calculate premiums shall be established in accordance with the schedule herein.
- L. The premium for the sixth calendar year following the five consecutive fiscal years in which chargeable unemployment compensation benefits exceeded the premiums paid for five consecutive calendar years shall be an amount equal to the arithmetic average of the chargeable UC benefits paid during the consecutive five fiscal year period. The premium shall be paid in equal quarterly installments over one calendar year. In the event chargeable UC benefits paid in succeeding fiscal years continue to be more than what premiums would have been had the Participant paid an amount computed using the rate established under Paragraph C of the Resolution adopted on October 19, 2004 then and in that event a rolling five year average shall be computed using the five consecutive fiscal years immediately preceding the calendar year for which the premium is being computed. The Participant shall be advised of the premium due for the ensuing calendar year not later than January 31 of each year. This computation shall be made each year until such time as the chargeable UC benefits paid in two consecutive fiscal years are equal to or less than the premium that would have been paid using the rate set under Paragraph C of the Resolution adopted on October 19, 2004 for each of two calendar years. At such time the Participant shall be entitled to a premium for each employee calculated by using the established rate set in Paragraph C of the Resolution adopted on October 19, 2004 plus two and one-half percentage points (established rate + 2.5%). This rate shall then be multiplied by the wage base set in Paragraph B of the October 19, 2004 Resolution, and the resulting premium for each employee totaled thereby establishing the total premium to be paid. The premium to be charged in succeeding years shall be determined by evaluating premiums paid versus chargeable UC benefits paid and decreasing or increasing the rate used by one-half a percentage point (0.5%) based on whether the chargeable benefits paid were less or more than what the premium would have been had the Participant paid a total annual premium equal to the amount computed using the established rate set in Paragraph C of the Resolution adopted on October 19, 2004. In the event chargeable UC benefits paid continue to drop in successive consecutive fiscal years the rate which is used to calculate the premium for each employee for each Participant identified hereunder shall continue to be reduced one-half of one percentage point (0.5%) each year until the total annual premium calculated hereunder reaches the level of the premium which would have been paid using the wage base set in Paragraph B and the established rate set under Paragraph C of the October 19, 2004 Resolution. In the event chargeable UC benefits paid continue to rise after the Participant has been granted relief and those chargeable UC benefits paid exceed the premium calculated using the established rate set under paragraph C of the Resolution adopted on October 19, 2004 for five consecutive fiscal years the provisions of this resolution speaking to calculating a premium for Participants whose chargeable benefits exceed premiums shall be invoked.

- 3.3 Self-billing forms shall be provided to the Participants and payment of annual premium charges shall be made by the Participants on a quarterly basis with payment being due within 30 days of the close of each quarterly period. Late payments shall accrue interest at 10% per annum.
- 3.4 The Trustees shall receive and hold premium payments and existing Program reserves as a special segregated fund, the UC Fund, and shall not commingle them with any other funds.
- 3.5 The Trustees shall invest the UC Fund in bonds, securities, certificates or obligations of the United States Government or of any state, county, municipality or other governmental body in the United States; or in insured or collateralized money market funds; or in collateralized bank certificates of deposit. The Trustees may select depositories and employ an investment adviser for this purpose.
- 3.6 The Trustees shall be authorized to:
- (a) Sell, exchange or otherwise dispose of any UC Fund securities and reinvest the proceeds of such sale, exchange or disposition.
  - (b) Exercise all rights, powers, options, privileges and other powers incidental to the ownership of the securities as may be exercised by any person owning such securities in his own right.
  - (c) Hold any securities in negotiable or unregistered form or cause any of the securities to be registered in the name of the Trust.
  - (d) Collect interest and other forms of income from the securities in the UC Fund and collect the principal of any of the securities having a maturity date.
  - (e) Execute all declarations, affidavits and certificates of ownership now or hereafter required, with respect to all coupons, registered interest or other income on any securities, payment of principal, redemption of any of the securities or otherwise required in exercising rights incidental to the ownership of any of the securities.
  - (f) Provide for the safekeeping of all securities and pay the cost of such safekeeping.
- 3.7 All interest and other income, after payment of expenses, shall be credited to the UC Fund and reinvested or accumulated for reinvestment. The proceeds from the sale of assets in the UC Fund not representing income, shall be reinvested or held for reinvestment by the Trust.
- 3.8 The proceeds of any payments for maturing obligations or redemption shall be credited to the UC Fund and reinvested or accumulated for reinvestment.
- 3.9 Except with the written consent of all Participants, the Program shall not be deemed or construed to operate on an assessable basis, and the Participants shall have no liability to the Program in excess of their respective premium obligations.
- 3.10 The Trustees shall have the right to purchase reinsurance coverage in respect of the Program's liability to the Participants. Any such reinsurance coverage shall be purchased only after not less than thirty days prior written notice to all Participants.

#### **IV. CLAIMS ADMINISTRATION**

- 4.1 The Trustees shall evaluate applications for unemployment benefits chargeable to the Participants. The Trustees shall be permitted to employ such consultants, accountants, and third-party administrators as required in connection with their activities under this Article IV.
- 4.2 The Participants shall cooperate with the Trustees on all matters pertaining to Claims Administration and shall make available to the Trustees such personnel records, information, file materials and other resources as may reasonably be required.

- 4.3 All applications for benefits and all reimbursement claims by the Commonwealth of Pennsylvania for benefits paid shall be promptly reported to the Trustees who shall render periodic reports to the Participants in respect of pending claims, payments due, litigation pending and such other matters as may be established by rule, regulation or practice.

## **V. PARTICIPANTS**

- 5.1 Each member authority joining in the Program shall be required to remain a Participant for an initial term of two years. Thereafter, each Participant shall be deemed to renew its subscription to the Program for successive two-year periods, unless written notice of withdrawal is served on the Trustees not less than sixty days prior to expiration of the then current two-year period.
- 5.2 The Participants will remit all premium payments within thirty (30) days of the close of a calendar quarter and shall cooperate with the Trustees on a best effort basis in the operation of the Program. In addition, it shall be mandatory in order to maintain membership in the Unemployment Compensation Claims Administration Program for each Participant to submit, within ten (10) working days following termination of any employee, the required report(s) of employment termination of said individual(s) to the Trustees or their designated consultant.
- 5.3 The Participant shall be bound by the Trustees' determination of premium charges for the Program, subject only to the arbitration rights described in Article IX below. The Participants likewise shall be bound by the Trustees' determination with respect to UC Fund management and claims administration.
- 5.4 The Participants shall abide by these Rules, as such may be amended from time to time, and with all other regulations and policies promulgated or adopted by the Trustees under Rule 9.2 hereof.

## **VI. TRUSTEES**

- 6.1 The five Trustees to be appointed by the Association's Board of Directors under Rule 2.5 hereof shall serve for staggered terms of five years subject to removal by the Board for good cause shown or upon petition to the Board by a majority in interest of the Participants. Upon resignation or removal of a Trustee, a successor shall be appointed by majority vote of the Board to serve for the remainder of his predecessor's term. The Program's current Trustees and their respective terms are set forth at Schedule B hereto. The five appointed Trustees shall be selected from the representatives of the member authorities (as defined in the Articles of Association) and from the honorary life members of the Association, and may serve only so long as their status as such is maintained.
- 6.2 The Trustees shall manage the Program for the exclusive benefit of the Participants.
- 6.3 The Trustees shall be liable only for willful misconduct, fraud and gross negligence. The Trustees shall be entitled to follow and rely upon the advice of counsel, and the recommendations of third-party advisers and consultants, and shall not be liable to any person for having done so. Nor shall the Trustees be liable for errors in judgment or actions taken or omitted to be taken in good faith.
- 6.4 The Association will indemnify, defend and hold the Trustees harmless of and from all claims, demands, causes of action and liabilities of whatsoever kind or nature, however described or denominated (excluding only claims based on fraud, willful misconduct or gross negligence), which in any way pertain or relate to, or arise out of the Trustees' performance hereunder, including, without limitation, claims of third-parties, claims for taxes and claims for governmental charges.
- 6.5 The Trustees are authorized to purchase such errors, omissions and fidelity insurance coverages as deemed necessary and appropriate to safeguard the Trustees, the Association and the Participants against losses in respect of the Program's operations and the Trustees' management of those operations.
- 6.6 Written minutes of all Trustee meetings shall be maintained, and copies thereof shall be available to the Participants upon request.

- 6.7 All expenses incurred in connection with the Program's operations shall be paid by the Trust, only to the extent of available balances in the UC Fund.

## **VII. REPORTS**

- 7.1 Annual financial reports on the Program shall be prepared by the Trust and audited by an independent accountant, who may be the accountant for the Association. Such reports shall be distributed to the Association and Participants within 90 days of the close of the Plan Year.
- 7.2 Publication of proposed premium charges to the Participants under Rule 3.2 shall be accompanied by a report of the Program's proposed budget for ensuing Plan Year including information on servicing arrangements, reinsurance contracts, errors, omissions and fidelity coverages purchased, administrative expenses and other similar matters.
- 7.3 The Trustees shall otherwise provide such information and reports as may be reasonably requested by the Association or the Participants.

## **VIII. TERMINATION**

- 8.1 Should a participant (i) fail to timely remit any required premium payment (ii) furnish materially inaccurate information to the Trust, (iii) repeatedly fail to cooperate with the Trust in the operation of the Program, or (iv) cease to be an active member of the Association, then, at the option of the Trustees, the Participant's coverage under the Program may be terminated.
- 8.2 Termination under Rule 8.1 shall not affect the Participant's obligation to make premium payments for coverage rendered through the date of termination which shall be the closing date of a quarterly period as determined by the Trustees.
- 8.3 Whether or not the Trustees elect to terminate a Participant under Rule 8.1 hereof, they may pursue recovery from the Participant of premium charges due and, until such have been paid, may withhold by set-off a like amount of benefits payable.
- 8.4 The Program may be terminated in its entirety at the close of any quarterly period by majority vote of the Participants, or by unanimous action of the Trustees, in either case only with approval of the Association's Board of Directors, after not less than thirty days' prior written notice to all Participants. In such event, Program assets, net of expenses incurred and such actuarially sound reserves as are required for the run-off of existing liabilities (the Liquidation Fund), shall be distributed by the Trustees, with an appropriate accounting, to the then eligible Participants in the form of an initial liquidation dividend. A Participant's initial liquidation dividend shall be calculated by multiplying the Liquidation Fund by a ratio (expressed as a percentage), the numerator of which shall be the Participant's Experience Factor and the denominator of which shall be the sum of the Experience Factors of all eligible Participants. Experience Factors shall be determined by deducting from a Participant's total premium payments into the Program (for all Plan years) all loss payments made by the Program on behalf of the Participant. Calculation of initial liquidation dividends under this Rule 8.4 shall not include or otherwise reflect the Experience Factor of a Participant if such factor is negative.
- 8.5 Within thirty days of the close of the eighth quarterly period following termination under Section 8.4 (or at such earlier date as the Trustees can certify the run-off of all existing Program liabilities), a final accounting and final liquidation dividend of remaining Program assets shall be made by the Trustees to eligible Participants, on the same basis as the initial liquidation dividend. Upon acceptance of this final accounting by the Participants, the Trustees' duties and obligations hereunder shall terminate and end. For purposes of Rule 8.4 and 8.5, eligible Participants are limited to those member authorities participating in the Program at termination provided that the Participant's Experience Factor under Rule 8.4 is positive.



## **IX. MISCELLANEOUS**

- 9.1 The Program, the Participants, the Association and the Trustees rights and obligations under the Program shall be governed solely by these Rules as they may be amended from time to time. They also shall be subject to adjustment on an equitable basis as required by material change in the applicable law. No such change shall serve as a basis for terminating the Program unless it causes the Program to fail of its essential purpose or, in the opinion of a majority of the Participants, renders continuation of the Program unduly burdensome, uneconomic or impracticable.
- 9.2 From time to time, the Trustees may adopt by-laws for such matters as the election of officers and also regulations and policies supplemental to these Rules governing operation of the Program. Such regulations and policies shall be binding on all Participants provided they are not inconsistent with the terms of these Rules.
- 9.3 The Trustees shall not be compensated for their services hereunder. However, the Trustees shall be reimbursed for costs incurred in managing and operating the Program. All such costs shall be paid from the UC Fund.
- 9.4 All disputes arising under or in connection with the Program shall be settled by binding arbitration before a single arbitrator who shall be a Pennsylvania resident appointed by the American Arbitration Association (AAA), the proceedings to be held in Harrisburg, Pennsylvania and conducted in accordance with the then prevailing commercial rules of the AAA. The award of the arbitrator shall be final, binding and nonappealable, and judgment thereon may be entered in any court of competent jurisdiction. The costs and fees of the arbitrator shall be shared by the parties. The parties shall be responsible for their own counsel fees.
- 9.5 All notices required under this Agreement shall be deemed given if delivered in person or by certified mail, postage prepaid, return receipt requested, to the Participants at the addresses appearing in the Trustees records. Notice to the Trustees shall be addressed c/o the Association as follows:

**Pennsylvania Municipal Authorities Association**

**1000 North Front Street, Suite 401**

**Wormleysburg, PA 17043**

- 9.6 These Rules set forth all the terms and conditions of the Program and supersede all prior agreements, understandings and undertakings with respect thereto. These Rules may be amended by the Trustees from time to time.
- 9.7 These Rules shall be construed and enforced in accordance with, and all questions and disputes concerning the Program shall be resolved under the laws of the Commonwealth of Pennsylvania.
- 9.8 Neither the Trustees (except as provided in Rule 6.3) nor the Association shall have any liability whatsoever to the Participants in the event of loss to, or insolvency of the Program. Payments due Participants under the Program shall be made from, and payable out of only the Program assets and reserve funds, and the investment income earned thereon, and nothing herein shall be construed or operate to make the Trust, Trustees, Association and their employees, individually or jointly and severally liable for such obligations.

## SCHEDULE A

### Coverage Statement

1. The Program shall indemnify Participants for reimbursement payments due the Commonwealth or Pennsylvania under Article XII of the Unemployment Compensation Law, 40 P.S. 911 *et. seq.*, to the extent such payments relate to a compensable termination of Covered Employment but only to the extent of available balances in the UC Fund.

Compensable termination of covered employment benefits that exist as the result of activities such as privatization sale contracts, privatization management contracts, municipal management contracts, or other similar contractual operational agreements where the purpose is to result in the financial benefit to the authority, successors authorities, or other governing bodies, and whose purpose or result of said action include subsequent staffing reductions that are otherwise eligible for Unemployment Compensation benefits, are no longer to be considered within the Trust intended coverage, and said liability will remain with the participant or its subsequent contracted successor. In the event that a member authority enters into negotiations for the sale or lease of its assets, the member authority must negotiate the potential liabilities concerning any UC compensation costs that may result from the discharge or termination of its employees.

2. The term "Covered Employment" refers to the employment by a Participant of an individual in respect of which premium payments have been made by the Participant to the Program.
3. Reimbursement payments due the Commonwealth of Pennsylvania "relate to a compensable termination of Covered Employment" if and to the extent that (1) the benefit payments for which reimbursement has been requested by the Commonwealth were properly payable to the claimant, and (2) the benefit payments were properly allocated to the Participant's reimbursement account under Section 1108 of the Compensation Law, 40 P.S. 908.
4. Notwithstanding the termination or withdrawal of a Participant from the Program, the Program shall remain liable to indemnify the Participant against reimbursement payments due the Commonwealth based on wages paid prior to the Participant's termination date. The Program's liability in such instances shall be determined by the following formula:

$$\frac{A \times B}{C} = \text{Program Liability}$$

where "A" equals the reimbursement payments due the Commonwealth, "B" equals the claimant's pre-termination Base Year wages and "C" equals the claimant's total Base Year wages. The term "Base Year" means the first through fourth of the five calendar quarters immediately preceding the date on which the claimant's employment terminated. In calculating total Base Year wages for purposes of this Paragraph 4, wages in respect of which contributions were made by the Participant (following termination of the Participant's reimbursement election pursuant to Section 1202.5 of the Compensation Law) shall be excluded.

5. Where a claimant's Base Year commenced prior to the date on which the Participant subscribed to the Program, the Participant shall be indemnified against reimbursement payments due the Commonwealth only to the extent that such payments are based on wages paid after the Subscription Date. The Program's liability in such instances shall be determined by the following formula:

$$\frac{D \times E}{F} = \text{Program Liability}$$

where "D" equals the reimbursement payments due the Commonwealth, "E" equals the claimant's post-subscription Base Year wages and "F" equals the claimant's total Base Year wages. In calculating total Base Year

wages for purposes of this Paragraph 5, wages in respect of which contributions were made by the Participant (prior to the Participant's reimbursement election pursuant to Section 1202.2 of the Compensation Law) shall be excluded.