BYLAWS OF

THE NORTH CAROLINA STATE HEALTH PLAN

BOARD OF TRUSTEES

Article I. Authority

The North Carolina State Health Plan Board of Trustees is established by N.C.G.S. §135-48.20 with powers and duties set forth in N.C.G.S. §135-48.22. Board members are required to carry out their duties and responsibilities as fiduciaries for the Plan pursuant to N.C.G.S. §135-48.2.

Article II. Membership

The State Health Plan Appropriations and Transfer Act of 2011, Session Law 2011-85, amended Article 3A of G.S. 135 to reconstitute the Plan's Board and to prescribe specific qualifications for membership. In a subsequent act later in the 2011 session, Session Law 2011-96, the General Assembly refined requirements for Board membership.

Section 1. **Composition:** The Board is comprised of 10 members as follows:

- The State Treasurer
- The Director of the Office of State Budget and Management
- A teacher
- A state employee
- A retired teacher
- A retired state employee
- An expert in actuarial science
- An expert in health economics
- An expert in health benefits and administration
- An expert in health law and policy

Section 2. **Ex Officio Members:** The State Treasurer and the Director of State Budget and Management serve as ex officio members of the Board. The State Treasurer has authority to vote only in the case of a tie. The Director of State Budget and Management is a nonvoting member of the Board.

Section 3. **Appointed Members:** There are eight appointed members of the Board. Two are appointed by the State Treasurer, two by the Governor, two by the General Assembly upon recommendation of the Speaker of the House of Representatives and two by the General

Assembly upon recommendation of the President Pro Tempore of the Senate. Appointments are for two year terms and members may serve up to three consecutive two-year terms.

Section 4. Appointments beginning January 1, 2012: The first term for those members appointed to the Board to fill the composition requirements for state employee, retired employee, retired teacher or teacher shall be for two and one half years. The first term for all other appointees shall be three and one half years.

Section 5. Removal: The appointing authority may remove any member appointed by that authority.

Section 6. Vacancies: Vacancies by those members appointed by the State Treasurer or the Governor shall be filled by the respective appointing authority. Members appointed by the General Assembly shall be filled in accordance with N.C.G.S. 120-122.

Article III. Organization

Section 1. Officers: Other than the Chairperson, officers may be elected by the Board from among its membership.

1. Chairperson. The State Treasurer shall serve as the Board Chairperson. Pursuant to N.C.G.S. §147-75, the Treasurer may delegate her duties as Chairperson to a designee. The delegated Chairperson will assume the same voting authority as the Treasurer.

The Chairperson has the following authority, duties, and responsibilities:

1. To call meetings as needed;

2. To appoint a Secretary who is not a member of the Board;

3. To appoint members to any and all such committees as necessary for the Board to perform its assigned duties;

4. Enforcing the governing rules of the Board as established by the bylaws;

5. Calling a motion to move the Board into closed session.

Section 2. Secretary: Unless otherwise appointed by the Treasurer, legal counsel to the State Health Plan shall be the Secretary.

The Secretary's duties include but are not limited to:

1. Maintaining a current list of Board Members;

2. Providing notice of meetings to the Board and the public;

3. Coordinating and disseminating information to the Board;

4. Maintaining official minutes and records of all proceedings from Board meetings;

5. Responding to public records requests;

6. Accepting service of process for the Board;

7. Ensuring Board compliance with the State Government Ethics Act;

8. Publishing an agenda or order of business as approved by the Treasurer prior to each meeting;

9. Facilitating the scheduling of each meeting;

10. Providing counsel on the appropriateness of moving to closed session and the required statutory authority for doing so when required by law;

11. Revising the bylaws as amended by the Board;

12. Performing any other duties as directed by the Chairperson.

Section 3. Executive Administrator: The Executive Administrator shall attend all Board meetings or send a suitable representative as selected by him or her. The Executive Administrator shall keep the Board well informed at all times of the activities and programs of the State Health Plan. The Executive Administrator shall provide all staffing and personnel necessary for the Board to properly carry out its functions and duties as well as any documents or information necessary for the proper conduct of the Board's duties and responsibilities to the Plan. The Executive Administrator in consultation with the Chairperson will develop the agenda for all meetings.

Section 4. Committees: The Board, by resolution of a majority of members, may designate and appoint one or more committees to serve in an advisory capacity to the Board. Such committee shall perform only those functions determined by the Board, and no such committee shall have the authority of the Board. Committee members shall be appointed by the Chairperson and shall serve at the pleasure of the Board. As determined by the Board, the Chairperson of a committee may either be designated by majority vote of the Board or selected by members of the committee.

The Executive Administrator of the State Health Plan shall designate Plan staff to serve at the pleasure of committees as requested by the committee or the Board.

Committees shall meet as decided by the Chairperson of the committee in consultation with the committee. Upon approval by the Chairperson of the committee, members of the committee may participate in meetings by means of telephone or video conference.

Article IV. Meetings

Section 1. Official Meetings: Official meetings are those meetings in which a majority of Board members gather for the purpose of participating in deliberations, or voting upon or otherwise transacting the public business within the jurisdiction, real or apparent, of the Board. Meetings will be held bi-monthly unless otherwise called or canceled by the Chairperson. The Board is required to meet at least quarterly. Meetings will be held at the State Health Plan offices unless otherwise designated by a majority vote of the entire Board.

Section 2. Annual Meeting to Review Requests for Changes to Benefits: One meeting per year will be used to review requests made by individuals or groups for changes in benefits under the State Health Plan.

Section 3. Emergency or Special Meetings: May be called by the State Treasurer or by the written request of any three Board members.

Section 4. Public Meetings: All official meetings shall be open to the public pursuant to N.C.G.S. §143-318.10 except for those parts of the meeting moved to closed session pursuant to N.C.G.S. §143-318.11.

Section 5. Closed Session: The Chairperson may make a motion to move to closed session only during an open public meeting. Closed session is permitted for the following reasons pursuant to N.C.G.S. §143-318.11:

1. To prevent the disclosure of information that is privileged or confidential pursuant to the law of this State or of the United States, or not considered a public record within the meaning of Chapter 132 of the General Statutes.

2. To prevent the premature disclosure of an honorary degree, scholarship, prize, or similar award.

3. To consult with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body, which privilege is hereby acknowledged. General policy matters may not be discussed in a closed session and nothing herein shall be construed to permit a public body to close a meeting that otherwise would be open merely because an attorney employed or retained by the public body is a participant. The public body may consider and give instructions to an attorney concerning the handling or settlement of a claim, judicial action, mediation, arbitration, or administrative procedure. If the public body has approved or considered a settlement, other than a malpractice settlement by or on behalf of a hospital, in closed session, the terms of that settlement shall be reported to the public body and entered into its minutes as soon as possible within a reasonable time after the settlement is concluded.

4. To establish, or to instruct the public body's staff or negotiating agents concerning the position to be taken by or on behalf of the public body in negotiating (i) the price and other material terms of a contract or proposed contract for the acquisition of real property by purchase, option, exchange, or lease; or (ii) the amount of compensation and other material terms of an employment contract or proposed employment contract.

5. To consider the qualifications, competence, performance, character, fitness, conditions of appointment, or conditions of initial employment of an individual public officer or employee or prospective public officer or employee; or to hear or investigate a complaint, charge, or grievance by or against an individual public officer or employee. General personnel policy issues may not be considered in a closed session. A public body may not consider the qualifications, competence, performance, character, fitness, appointment, or removal of a member of the public body or another body and may not consider or fill a vacancy among its own membership except in an open meeting. Final action making an appointment or discharge or removal by a public body having final authority for the appointment or discharge or removal shall be taken in an open meeting.

6. To plan, conduct, or hear reports concerning investigations of alleged criminal misconduct.

Motions called pursuant to reason (1.) set forth above regarding the disclosure of information considered privileged or confidential, must state the name or citation of the law that renders the information to be discussed privileged or confidential. Motions called pursuant to reason (3.) set forth above regarding the handling or settlement of a legal claim shall identify the parties in each existing lawsuit concerning which the public body expects to receive advice during the closed session.

The motion by the Chairperson to move to closed session must cite at least one of the permissible reasons for the closed session as described above. The Secretary is responsible for providing the appropriate basis and statutory citation of law as required to the Chairperson as needed.

Only those persons authorized by law or invited by the Board may be present during closed session.

Section 6. Attendance: Board members shall attend at least 75 percent of all non-emergency meetings of the Board during the Board's calendar year. The Board may require the attendance of State Health Plan staff, Department of State Treasurer staff, consultants or contractors as necessary to provide information to the Board.

Section 7. Meeting by Telephone or Other Electronic Media: In limited circumstances and upon approval by the Chairperson, members of the Board may participate in meetings by means of telephone or video conference.

Section 8. Notice: The date, time and place for all Board meetings will be published on the State Health Plan's website when known but no later than two weeks prior to any meeting. If a preliminary agenda is created it shall be posted as soon as practicable in the same manner as the notice; however, the preliminary agenda will not limit the scope of the Board's meeting. If a preliminary agenda is not available, the notice shall include a general description of the nature and purpose of the meeting. Notice of Emergency or Special Meetings as set forth in Article III, Section 2 of these Bylaws, will be published at the same time notice is given to the Board.

Section 9. Public Comment: Time will be reserved at the end of each meeting for public comment upon request. Such time may be limited by the Chairperson.

Article V. OPERATION OF THE BOARD

Section 1. Actions of the Board: The Board shall act only as authorized by law and only by resolution at a duly called meeting of the Board. No individual members of the Board shall exercise individually any administrative authority with respect to the Board. No individual member of the Board shall make a statement of policy which purports to be that of the Board unless the Board shall have adopted such policy, but no one shall be prohibited from stating his or her personal opinions provided they are clearly identified as such.

Section 2. Authority of the Board: The Board shall have access to any documents or information that is necessary for the proper conduct of its fiduciary duties and responsibilities to the Plan, subject to confidentiality requirements set forth in state and federal law. G.S. 135-43.

The Board members do not have the authority to sign contracts, obligate the State Treasurer or the Plan, or spend any portion of the operating budget that has not been designated for Board purposes.

Section 3. Rules of Order: The rules contained in the most recent edition of Robert's Rules of Order shall govern in all cases to which they are applicable and in which they are not inconsistent with the bylaws of the Board.

Section 4. Agenda: The agenda for each meeting will be developed by the Executive Administrator in consultation with the Chairperson. The Secretary shall send a preliminary agenda to each member of the Board as soon as practicable in advance of any meeting of the Board. The final agenda as approved by the Chairperson will be provided at the Board meeting and shall govern the order of business for the meeting.

Section 5. Minutes: The Secretary shall prepare minutes of the proceedings of all Board meetings. A copy of the minutes of each meeting of the Board shall be transmitted to each Board member for review at least two weeks prior to approval at the succeeding meeting. The minutes shall not be considered official unless and until approved by the Board. Official minutes will be published to the State Health Plan's website as soon as practicable.

Section 6. Records: The Secretary for the Board shall maintain accurate records of its meetings, excluding executive session, setting forth the date, time, place, members present or absent, and action taken at each meeting. The official records of each meeting shall be published to the State Health Plan's website as soon as practicable unless otherwise prohibited by law.

Section 7. Quorom: A majority of the voting members of the Board shall constitute a quorum.

Section 8. Voting: Decisions of the Board shall be made by a majority voice vote of the Trustees present. Voting by secret ballot is not allowed.

A roll call vote shall be taken upon the request of any Board member. The names of the Board members shall be called and each member shall vote "yes" or "no" at such time unless he or she chooses to abstain.

Section 9. Appearance Before the Board: Individuals or groups who wish to appear before the Board shall make their request in writing to the Chairperson at least seven (7) days in advance of the next regularly scheduled meeting. The Chairperson, at his or her discretion, may approve the request and allot a reasonable time for presentation. The Chairperson shall limit presentations as necessary to maintain the timely conduct of business by the Board.

Section 10. Appearance Before the Board at Annual Meeting to Review Requests for Changes to Benefits: Individuals or groups that have submitted a *Request Form for Board of Trustee Consideration of a Change to SHP Benefits* who wish to appear before the Board of Trustees shall make their request, if not included on the form, in writing to the Chairperson at least two weeks before the annual meeting. The Chairperson, at his or her discretion, may approve the request and allot a reasonable time for presentation. The Chairperson shall limit the time for appearance as necessary to maintain the timely conduct of business by the Board.

Section 11. Compensation:

Non-state employee members: Members of the Board who are not employees eligible to enroll in the Plan ("non-employee members") will receive (1) one hundred dollars ($100.00) per day whenever the full Board of Trustees holds a public session, and (2) travel allowances when traveling to and from meetings of the Board of Trustees or administrative hearings. G.S. 135-48.20(l)

When participating in Plan business that is not part of a public session or administrative hearing, non-employee members will receive (1) fifteen dollars ($15.00) per day, (2) reimbursement of subsistence expenses, and (3) reimbursement of travel expenses. G.S. 135-48.20(l) and 138-5.

State employee members: Members of the Board who are employees eligible to enroll in the Plan ("employee members") shall receive travel and subsistence allowance in accordance with G.S. 138-6.

Section 12. Recusal from Participation: After a meeting has been called to order and the final agenda reviewed, the Secretary shall read to the Board the Conflict of Interest Statement. Any member with a conflict of interest or an appearance of a conflict of interest for any agenda item will identify him or herself and recuse themselves from participating in discussion or voting on that particular agenda item.

ARTICLE VI. AUTHORITY, DUTY, RESPONSIBILITIES AND CONDUCT OF THE BOARD

Section 1. Standard of Care: Board members shall carry out their duties and responsibilities as fiduciaries for the Plan. As fiduciaries, Board members are obligated to act in the best interest of the Plan.

Section 2. Conflict of interest: A conflict of interest arises when a Board member, or a member of his or her immediate family, may benefit from the actions taken by the Board. In such instances the Board member must disclose the conflict to the Board and recuse him or herself from participation in addressing or voting on the matter in which there is a conflict of interest or appearance of a conflict of interest unless participation is permitted by G.S. 138A-38.

Section 3. Responsibilities: The powers, duties and responsibilities of the Board are set forth in Article 3B of Chapter 135 of the North Carolina General Statutes.

Powers and Duties: Under G.S. 135-48.22, the Board shall have the following powers and duties:

1. Approve benefit programs, as provided in G.S. 135-48.30(2).
2. Approve premium rates, co-pays, deductibles, and coinsurance maximums for the Plan, as provided in G.S. 135-48.30(2).
3. Oversee administrative reviews and appeals, as provided in G.S. 135-48.24.
4. Approve contracts in excess of $500,000, as provided in G.S. 135-48.33(a).

5. Consult with and advise the State Treasurer as required by the Article and as requested by the State Treasurer.

6. Develop and maintain a strategic plan for Plan.

Other Responsibilities:

1. Assist in the evaluation of the Executive Administrator. As prescribed by G.S. 135-48.23, the State Treasurer shall consult with the Board before removing the Executive Administrator.

2. Report to the General Assembly. The Board shall report to the General Assembly as requested by the President Pro Tempore of the Senate and the Speaker of the House of Representatives. G.S. 135-48.27.

3. Consultation. As prescribed by Article 3B of G.S 135, the Board must provide consultation to the State Treasurer on the following matters: adoption and implementation of rules; adoption and implementation of utilization review and internal grievance procedures; establishment and implementation of medical procedures that require prior approval and as otherwise requested by the State Treasurer.

4. Delegation of powers. The Board will be required to carry those powers and duties delegated to it by the State Treasurer.

5. Guidelines. The Board in concert with the State Treasurer is required to examine the issue of moving to a calendar year, including the costs and mechanics of doing so; find savings through wellness programs, Medicare Advantage plans, alternative plan designs, or other resources and use those savings to offer a premium-free plan option no later than July 1, 2013; and strive to keep premiums low by finding savings through wellness programs, Medicare Advantage plans, alternative plan designs, or other resources.

Section 4. **Expectations:** Board members are expected to:

1. Be informed about the Plan's policies and practices;

2. Work constructively with other board members to review Plan activities and fulfill their statutory duties and responsibilities;

3. Interact professionally and appropriately with the State Treasurer, Executive Administrator, and the staff and outside service providers at all times;

4. Be prepared for all board meetings by reviewing agendas and supporting materials prior to the meeting;

5. Attend Board meetings, share expertise, and actively participate in discussions;

8. Discharge duties solely in the interest of the members and beneficiaries and for their exclusive benefit;

9. Incur only reasonable expenses in carrying out duties as Board members, consistent with the operating budget of the Board;

10. Maintain high ethical standards and avoid the appearance of impropriety;

11. Make requests of staff as well as consultants, contractors and other outside service providers only under the directive of the full Board.

12. Maintain confidentiality at all times related to matters discussed in Closed Session pursuant to N.C.G.S. §143-318.11 as well as information that meets the definition of "confidential information" under N.C.G.S 132-1.2.

Section 5. Orientation: Board members must complete an orientation program within sixty days of the date of their appointment. The State Health Plan staff, in conjunction with Department of State Treasurer's General Counsel, shall be responsible for conducting the orientation program.

Section 6. State Government Ethics Act: Board members are covered persons under the State Government Ethics Act, Article 1 of Chapter 138A of the North Carolina General Statutes. At all times Board members must abide by the Ethical Standards for Covered Persons set forth in Article 4 of G.S. 138A. In addition, as covered persons, Board members are required to file a statement of economic interest (SEI) with the State Ethics Commission prior to appointment and yearly thereafter. Board members must also complete ethics education within six months of appointment and a refresher course every two years.

Section 7. Annual Assessment: The Board will annually assess its performance to determine if it is functioning as effectively and efficiently as possible and to determine if it has met its responsibilities under the Charter. The Board will effectuate changes as appropriate in order to improve its performance.

Article VII. Amendments

Section 1. Amendment: These bylaws may be amended at any regular meeting of the Board by majority vote.

Section 2. Effective Date: Amendments shall go into effect immediately upon their adoptions unless the motion to adopt specifies a time for the amendment to go into effect.

It being the desire of the Board to meet its responsibilities to the State of North Carolina, and in the most efficient and conscientious manner possible to discharge its duties under the law, the North Carolina State Health Plan Board of Trustees does hereby adopt these amended bylaws this 22nd day of November, 2013, to be effective immediately.

Janet Cowell

Janet Cowell, Chairperson