

In 1978 legislation went into effect, which required governmental employers to provide unemployment compensation coverage to their employees. As a result of this legislation, all Texas counties were required to conform to the state's unemployment compensation regulations.

The TAC Unemployment Fund was created to assist Texas counties (who decide to become Fund members) with their unemployment related requirements. These include claims administration, cost control services, training, and representation in contested eligibility cases.

For the purpose of paying unemployment costs to the state, Texas law allows entities to be either "Regular Taxed Employers" or "Direct Reimbursing Employers". In both cases, the Texas Workforce Commission is the party responsible for paying unemployment benefits to unemployed citizens. In the "Regular Employer" status, the entity pays unemployment costs to the Workforce Commission based on overall rate determinations made by the Workforce Commission. In the "Direct Reimbursing Employer" status however, the entity is only required to reimburse the Workforce Commission for amounts actually paid to the unemployed employees of the entity. The TAC Unemployment Fund is registered as a "Direct Reimbursing Employer" in Texas.

TAC's contractor for administration of the Unemployment Fund is TALX Employer Services of Dallas. TALX Employer Services is responsible for all aspects of claims administration of the Fund, which are not performed by the Texas Workforce Commission. TALX Employer Services provides TAC with quarterly unemployment claims reports. TALX Employer Services is also responsible for filing eligibility protests to the Workforce Commission on behalf of the Fund's members. TALX Employer Services' specific responsibilities are spelled out in their contract with the TAC Unemployment Fund.

The TAC Unemployment Fund database (a Microsoft Access program) is used to administer the TAC Unemployment Fund. Each member has an account in this database with its unemployment activity recorded in its respective account. The claims, contributions, reserves, deficit billings, and operating expenses of the TAC Unemployment Fund are handled as follows:

Claims

The Texas Workforce Commission is the body responsible for paying unemployment compensation to unemployed individuals in Texas. At the end of each quarter, the Texas Workforce Commission sends a report (The Reimbursable Unemployment Benefits Statement) to TAC showing unemployment compensation payments to TAC members' former employees who were eligible for unemployment compensation during that quarter. TAC pays the Workforce Commission the total amount (due 60 days after the end of the quarter) and records each member's respective portion in the TAC unemployment database.

Contributions

An annual Unemployment Fund Rate is calculated for each member. The Rate is equal to the previous four years' claims divided by the previous four years gross payroll. The Rate is used to determine each member's annual contribution amount. Thus, each quarter, the member multiplies that quarter's gross

payroll by their rate to determine their contribution due to TAC. It should be noted that this system is appropriate because the TAC Unemployment Fund is a "Direct Reimbursing Employer." If it were a "Regular Employer", The Texas Workforce Commission would determine the rate, and the payroll portion of the calculation would be based on each employee's payroll up to a certain maximum.

Reserves

A reserve is required of each member because the eligibility period of unemployment benefits is one year, and also because an employer continues to be the primary responsible party (for 16 months) for paying an employee's unemployment benefits if the employee gets a different job and is then terminated. Each member's Unemployment Fund reserve is equal to the average of its unemployment claims payouts for the previous five years, except in cases where the member has been in a deficit situation because of large unemployment claims. In these cases the reserve is increased by 30%. Each year when the reserve is calculated, the member is billed or receives a refund, based on the difference between the reserve and the balance in their account.

Deficit Billings

Each quarter, TAC compares the balance of each member's account in the database to that member's required reserve amount. If the member's balance is below the required reserve, a "deficit bill" is sent to the member requesting payment to bring the balance back up to the required reserve.

Operating Expenses

The TAC Unemployment Fund does not charge a service fee or membership charge to its members. A large portion of the Fund's expenses are covered by the interest earned on members' reserve deposits. The portion of the expenses that are not covered by interest earnings (referred to as the "net operating expenses of the fund") are distributed (i.e. charged) to the members' accounts annually based on each member's number of employees.

There are currently 208 members in the TAC Unemployment Fund.

PARTICIPATION AGREEMENT
for
TEXAS ASSOCIATION OF COUNTIES
UNEMPLOYMENT COMPENSATION GROUP ACCOUNT FUND

This Participation Agreement for Texas Association of Counties Unemployment Compensation Group Account Fund "Agreement" entered into by and between the Texas Association of Counties Unemployment Group Account Fund (hereinafter called "Fund" and Fort Bend County (hereinafter called "Fund Member") (Fund and Fund Member may be referred to collectively herein as "Parties") shall be effective as of the date hereinafter shown.

R E C I T A L S:

WHEREAS, the Fund was established by the Texas Association of Counties (hereinafter called "TAC") for the payment of reimbursements by political subdivision employers to the Texas Workforce Commission (hereinafter called "TWC") required under Sections 204.101-204.105, 205.001 and 205.021 of the Texas Labor Code, and

WHEREAS, Fund Member, a political subdivision, desires to take advantage of the benefits made available through the Fund;

NOW, THEREFORE, it is agreed and understood among the Parties as follows:

ARTICLE I
APPOINTMENT OF FUND

1.01. Appointment

Fund is hereby appointed Agent of the Fund Member for the purposes of the Agreement and is authorized to represent Fund Member before the TWC.

1.02. Length of Appointment

Fund shall continue to serve as Agent of Fund Member for purposes of this Agreement until such time as this Agreement is terminated in accordance with its terms.

REC'D JUN 30 2005

ARTICLE II
ELECTION OF PARTICIPATION

2.01. Election

Fund Member hereby elects to become a member of and participate in the Fund.

2.02. Length of Election

Fund Member's election under paragraph 2.01 of this Agreement shall be effective until terminated in accordance with the terms of this Agreement.

2.03. Nature of Election

By its election under paragraph 2.01 of this Agreement, Fund Member elects to join and participate in the TAC Unemployment Compensation Group Account maintained by TWC under Account Number 99-991884-0 or any other account established by the Fund with TWC to further the purposes of this Agreement ("Group Account"). The Group Account is maintained for the purpose of receiving contributions required under *Section 205.001 of the Texas Labor Code* and paid by the Fund.

ARTICLE III
POWER AND DUTIES OF FUND

3.01. Authority to Act as Agent

Fund Member hereby confers upon Fund all authority necessary to carry out the purposes of this Agreement. Fund shall have the authority to construe the provisions of this Agreement and the rules, regulations, contribution schedules and Bylaws of the Fund. Any construction of the above named items by the Fund shall be binding on all Fund Members and their employees.

3.02. Powers of Fund

Fund shall have any power necessary to carry out the purposes of this Agreement which may be conferred by this Agreement and the rules, regulations, contribution schedules and Bylaws of the Fund including, without limitation, the following:

- a. The power to collect and retain all monies required from Fund Member;
- b. The power to establish a Contribution Rate for Fund Member;

- c. The power to require and accept from Fund Member reports of wages paid to non-elective employees of Fund Member;
- d. The power to require and accept from Fund Member unemployment reports with respect to employees of Fund Member leaving the employ of Fund Member;
- e. The power to require the appointment by Fund Member of an Unemployment Coordinator;
- f. The power to delegate any power or duty conferred by this Agreement to an independent contractor, including the power to act as Fund Member's agent before the TWC;
- g. The power to develop and establish unemployment cost control services;
- h. The power to establish and manage the Group Account;
- i. The power to maintain a separate account or accounts for Fund Member and to co-mingle the funds contributed by any member of the Fund;
- j. To the extent permitted by Texas law, the power to review claims, determine their validity, and dispose of claims received by the Fund;
- k. The power to appoint legal counsel to represent the Fund;
- l. The power to open and maintain bank accounts in the name of the Fund; and
- m. The power to perform any act whether or not expressly authorized herein, which the Fund deems necessary to accomplish the general objectives of the Fund.

3.03. Signature of Fund

Fund is hereby authorized to execute any notice or other instrument in writing required to carry out the purposes of this Agreement and all persons, partnerships, political subdivisions, corporations or associations may rely thereupon that such notice or instrument is duly authorized and is binding on Fund and Fund Member.

3.04. Liability of Fund

Fund shall be responsible for monies solely when, as, and if received by it from Fund Member, and Fund shall not be liable to anyone if for any reason whatsoever this Agreement is terminated.

3.05 Duty to Act

Fund shall be under no duty to take any action, except as specifically provided for in this Agreement and except as it shall hereinafter agree in writing to take.

ARTICLE IV FUND MEMBER ACCOUNT

4.01. Retention of Monies

Fund shall retain all monies paid to Fund by Fund Members until such time as Fund ceases to be liable to TWC for any charges incurred by Fund Member during the period Fund Member

participated in the Group Account. Should the monies retained by Fund on behalf of Fund Member be insufficient to pay charges attributable to Fund Member, the charges in excess of the monies retained by Fund shall be paid by Fund Member to Fund within ten days of written notice of such charges. This paragraph 4.01 survives the termination of this Agreement. In the event of termination of this Agreement and subsequent to the determination that Fund is no longer liable to TWC for charges attributable to Fund Member, Fund shall remit to Fund Member any remaining balance in the Group Account contributed by the Fund Member.

4.02. Maintenance of Separate Account

Fund shall maintain a separate account for Fund Member, within the Group Account. Fund may maintain more than one separate account within the Group Account for Fund Member and treat each such account as a separate entity. The maintenance by Fund of more than one account for Fund Member does not serve to relieve Fund Member of responsibility for the account. If more than one separate account is maintained by Fund for Fund Member, each separate account represents an activity of Fund Member. Any determination with respect to the activity within any of the above mentioned separate accounts by TWC shall be binding on Fund Member.

ARTICLE V CONTRIBUTION RATE/CONTRIBUTION

5.01. Calculation of Contribution Rate

Fund shall calculate Fund Member's Contribution Rate based on Fund Member's actual experience in Fund; provided, however, in no event shall the contribution rate be less than 1/20 of one percent (.0005) of Fund Member's payroll, subject to the minimum contribution requirement stated in Section 5.02 herein. It is further agreed and understood that until Fund Member has been included in the TAC Group Account with TWC for six (6) consecutive calendar quarters, Fund Member's contribution rate shall be 8/10 of one percent (.008) of Fund Member's payroll. Fund shall determine the Contribution Rate for Fund Member subsequent to the above mentioned six (6) calendar quarter period during the first quarter of each calendar year, and the Contribution Rate shall apply to all payments predicated on the Fund Member's yearly gross payroll.

5.02. Responsibility to Contribute

Fund Member shall contribute to Fund a payment calculated on Fund Member's gross payroll for the preceding calendar quarter for all non-elective employees (full-time, part-time and temporary). In calculating the contribution, the Fund Member's Contribution Rate shall be applied to the total gross payroll of all non-elective employees. However, a minimum contribution of \$25.00 per quarter shall be made by all Fund Members.

5.03. Initial Contribution

A new Fund Member shall pay an initial contribution determined by either its actual gross payroll for all non-elective employees owed in the full quarter immediately prior to joining the Fund or by an estimated gross payroll for the next calendar quarter if Fund Member has had no previous payroll history. In no event shall the initial contribution be less than the minimum contribution of \$25.00 per quarter.

5.04. Contribution Payments and Reports

Fund Member agrees to promptly make all payments required by this Agreement to Fund. Fund Member agrees to furnish reports of wages paid to non-elective employees and other necessary information in a manner acceptable to TWC and Fund.

5.05. Due Date of Contributions and Reports

Quarterly Unemployment records and contributions shall be due and payable to the Fund no later than the 10th day of each new quarter. For purposes of this Agreement, quarters will commence on the first day of January, April, July and October of every year. Reports or contributions postmarked after the 10th day of a new quarter shall be subject to a late penalty. The penalty will be that portion of any assessed TWC fine attributable to Fund Member's late reporting.

ARTICLE VI UNEMPLOYMENT COORDINATOR

6.01. Appointment

Fund Member shall, by written instrument, appoint an Unemployment Coordinator. The Unemployment Coordinator shall be responsible to Fund for the timely and accurate completion of the quarterly unemployment report, and for promptly providing Fund or its contractor any required information.

6.02. Change of Unemployment Coordinator

Fund Member may change its Unemployment Coordinator by giving written notice to Fund of such change prior to the effective date of the change.

6.03. Responsibility of Unemployment Coordinator

Any failure or omission of the Unemployment Coordinator shall be deemed a failure or omission of Fund Member. Fund or its contractor, if any, are not required to contact any other individual with respect to Fund Member's responsibilities under this Agreement except the named Unemployment Coordinator. Any notice given the Unemployment Coordinator by Fund or its contractor shall be deemed notice to Fund Member.

ARTICLE VII TERMINATION

7.01. Notice

This Agreement may be terminated by either party giving sixty (60) days written notice of intent to terminate the Agreement to the other party. Any notice of intent to terminate must be delivered by deposit in the U.S. Mail, Certified Return Receipt Requested.

7.02. Liability Subsequent to Termination

Termination of this Agreement shall not serve to relieve Fund Member of any obligation or liability for any obligation or liability Fund may have to TWC as a result of Fund Member's inclusion in the Group Account.

ARTICLE VIII MISCELLANEOUS

8.01. Unemployment Cost Control Services

Fund Member shall be furnished with periodic statements of claim activity and the status of claims by Fund or its contractor.

8.02. Eligibility of Fund Member

Fund Member is required to be a member in good standing of TAC or must be located within a county that is a member in good standing of TAC.

8.03. Agreement to Comply with Bylaws

Fund Member agrees to comply with the Bylaws of Fund as adopted and as they may be amended by Fund's Board of Trustees.

8.04. Amendment

This Agreement may be amended or modified at any time by the parties hereto; any such amendment or modification shall be evidenced by a written instrument, signed by the Fund and Fund Member and attached to and made a part of this Agreement.

8.05. Applicable Law

This Agreement is entered into and executed in the State of Texas, and all questions pertaining to its validity or construction shall be determined in accordance with the laws of the State of Texas. Venue for any litigation concerning this Agreement shall be in the district courts of Travis County, Texas.

8.06. Acts of Forbearance

No act of forbearance on the part of either party to enforce any of the provisions of this Agreement shall be construed as a modification of this Agreement nor shall the failure of any party to exercise any right or privilege herein granted be considered as a waiver of such right or privilege.

8.07. Effect of Partial Invalidity

If any provision of this Agreement is held illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining provisions of this Agreement.

8.08. Headings and Captions

The headings and captions in this Agreement are inserted for the purpose of convenience only and shall not be considered in the construction of any provision.

8.09 Notices

Any notice required to be given, or payment required to be made, to Fund shall be deemed properly sent if addressed to:

Texas Association of Counties
Unemployment Compensation Group Account Fund
c/o Texas Association of Counties
P.O. Box 2131
Austin, Texas 78768-2131

EXECUTION

IN WITNESS WHEREOF, we hereunto affix our signature this 21 day of

June, 2005

TEXAS ASSOCIATION OF COUNTIES
UNEMPLOYMENT COMPENSATION
GROUP ACCOUNT FUND

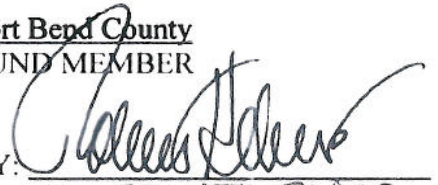
BY:



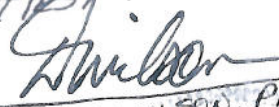
Executive Director, Texas Association of Counties

Fort Bend County
FUND MEMBER

BY:



Title COUNTY JUDGE

ATTEST:

DIANNE WILSON, P.A.D.
COUNTY CLERK