

**BURKE BURNS & PINELLI, LTD.**

ATTORNEYS AT LAW

SUITE 4300

THREE FIRST NATIONAL PLAZA

CHICAGO, ILLINOIS 60602-4229

EDWARD J. BURKE  
MARY PATRICIA BURNS  
VINCENT D. PINELLI  
MARY ANN MURRAY  
STEPHEN F. WELCOME  
ELLEN B. EPSTEIN  
DONALD F. HARMON  
AMANDA J. RIPP  
BLANCA R. DOMINGUEZ  
CHRISTOPHER J. HALES

TELEPHONE  
(312) 541-8600

FACSIMILE  
(312) 541-8603

WEBSITE  
[www.bbp-chicago.com](http://www.bbp-chicago.com)

July 20, 2011

Retiree Health Benefits Commission  
c/o Amer Ahmad, Comptroller of the  
City of Chicago; Member  
33 North LaSalle Street  
Chicago, Illinois

Re: *Korshak v. City of Chicago*  
No. 01 CH 4962  
Retiree Health Benefits Commission (RHBC)

Dear Members of the RHBC:

Please be advised that the undersigned respectively represent the Retirement Board of the Firemen's Annuity and Benefit Fund of Chicago, Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago, Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago and the Retirement Board of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago (collectively "the Funds").

For a period of 25 years, the Funds, representing a class of approximately 35,000 retirees (including dependents) and the City of Chicago ("City"), have vigorously litigated in the Illinois courts all issues relating to the provision of healthcare services for City retirees, including, without limitation, the issue of funding for all retiree healthcare services. ("The Korshak Litigation").

This class action Korshak Litigation began in 1987. In 1988, after proofs were introduced into evidence and while the court (Judge Green) was deliberating, the Parties' entered into a ten-year settlement agreement and as required by law submitted the terms of their agreement to the court for the court's determination as to whether the terms of their agreement were fair and equitable as to all concerned. The Parties, among other terms, had agreed that for the ten year term of the agreement, the City was to pay 50% of all retiree healthcare costs. Notably, Judge Green and thereafter the Illinois Appellate Court both expressly ruled that the terms of the 1988 ten year settlement agreement, including the City's commitment to fund 50% of all healthcare costs, were indeed fair and equitable.

Upon the expiration of the Parties' 1988 ten year settlement agreement in 1997, the Parties effectively agreed that substantially all of the same terms as set forth in their 1988 ten year settlement agreement, including the City's agreement to pay 50% of all retiree healthcare costs,

July 20, 2011

Page 2

should continue for an additional five years, until June 30, 2002. This five year extension of the terms of the 1988 ten year settlement agreement was accomplished through the passage of mutually agreed upon legislation by the Illinois General Assembly. On June 30, 2002, the legislation was extended to June 30, 2003, while the Parties continued to both litigate as to all annuitant healthcare issues and to engage in extensive settlement negotiations in order to, if possible, arrive at another settlement agreement.

On April 4, 2003, the Parties then entered into a second ten year settlement agreement to bind the Parties until June 30, 2013. (The "2003 Settlement Agreement"). In the 2003 Settlement Agreement, the Parties agreed, among many other terms, that (i) the City would pay between 40% and 55% of each annuitant's healthcare costs (depending on length of service at the time of retirement); (ii) the Funds would pay an agreed upon monthly subsidy to reduce each annuitant's portion of his/her healthcare costs; and (iii) the annuitants would pay from their monthly annuities the balance of the costs as premiums. Many other complex issues were negotiated and agreed to by the Parties. Once again, the Parties, as required by law, submitted the 2003 Settlement Agreement to the court (Judge Dooling) for a determination as to whether the 2003 Settlement Agreement was in fact, and pursuant to applicable law, fair and equitable as to all the Parties. Notably, on July 31, 2003, in a 21 page carefully reasoned opinion Judge Dooling ruled "This Court finds the Settlement Agreement to be fair, reasonable, adequate and in the best interests of all concerned parties."

Specifically, after considering the long history of the contentious litigation and weighing the risks and benefits as to each of the litigants, the court stated:

"This Court determines the settlement is fair, reasonable, adequate and in the best interests of all concerned. Simply put, the annuitants receive good healthcare coverage for ten years and the City avoids the possibility of a financial burden that could greatly weaken the City's economy. If the class members should prevail on their counterclaim and become entitled to health care coverage for life at pre-1983 rates, it would impose a tremendous financial burden on the City and taxpayers of Chicago. On the other hand, if the City should prevail, the class members would be without health care coverage at a time in their lives when obtaining coverage would be very difficult and extremely costly. The same public interest that favors settlement also favors the City providing good health care coverage for the thousands of class members who have and those who will continue to honorably serve the City and citizens of Chicago."

The Retiree Health Benefits Commission ("RHBC") as you know, was established pursuant to Paragraphs G3(b)(c); G4; G5; and G6 of the 2003 Settlement Agreement. In this regard, it is the Funds' understanding that each of you have received a copy of the 2003 Settlement Agreement. Pursuant to the said sections of the agreement, the purpose of the RHBC is to make recommendations as to the plan design of retiree health care benefits, costs regarding same and all other issues relating to the provision of retiree health care after June 30, 2013. The RHBC therefore,



July 20, 2011

Page 3

through its expert opinions and recommendations is intended by the Parties to the Korshak Agreement to constitute a critical component in establishing the provision of a reasonable, viable and affordable health care benefits plan for City of Chicago retirees upon the expiration of the 2003 Settlement Agreement on June 30, 2013.

The Funds deem it critical that the Members of the RHBC are made aware of the foregoing milestone events of this 25 year litigation so that your deliberations and recommendations with regard to post 2013 annuitant healthcare may take place with an understanding that the terms of the 2003 Settlement Agreement are (i) the product of 25 years of intense and vigorously contested contentions on the part of the Parties as to all of the many complex annuitant healthcare issues, including the equitable division and sharing of the costs of retiree healthcare; (ii) that the exhaustively negotiated and agreed upon terms of the two ten year settlement agreements have been judicially reviewed at both the trial and appellate levels of the Illinois courts and were expressly held to be fair, reasonable and equitable as to all concerned; and (iii) that absent fair, reasonable and equitable solutions as to all annuitant healthcare issues post June 30, 2013 substantially similar, if not identical, to the pertinent terms and conditions set forth in the 2003 settlement agreement, the existing Korshak class action as well as new class action lawsuits inevitably will be renewed and filed with considerable attendant labor unrest and ongoing substantial litigation costs.

As noted in the Funds' prior correspondence to you on October 29, 2010, the timely and seamless provision of continuing healthcare coverage to the City of Chicago annuitants is critical both to the City and, its approximately 35,000 retirees, especially during these difficult economic times. Further, and importantly, the retiree healthcare system established and maintained over the years through the agreements of the Parties has and continues to function efficiently, economically and equitably as to all concerned.

Accordingly, and consistent with the foregoing, the Funds strongly recommend at this time, that the Parties to the 2003 Settlement Agreement extend all of the pertinent terms and conditions of the existing 2003 Settlement Agreement for an additional ten year period, or until June 30, 2023, subject to (i) the passage of supplementary necessary legislation by the Illinois General Assembly relating to the Funds' required subsidies; and (ii) continued retention of judicial jurisdiction as set forth in subsection V B.7 of the 2003 Settlement Agreement.

Thank you in advance for your thoughtful considerations of the foregoing.

Sincerely,

[SIGNATURE PAGE FOLLOWS]

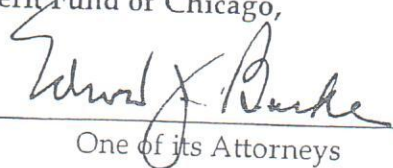
July 20, 2011

Page 4

Edward J. Burke  
Mary Patricia Burns  
Burke Burns & Pinelli, Ltd.  
70 West Madison St., Ste. 4300  
Chicago, Illinois 60602

**Board of Trustees of the Firemen's Annuity  
and Benefit Fund of Chicago,**

By: \_\_\_\_\_

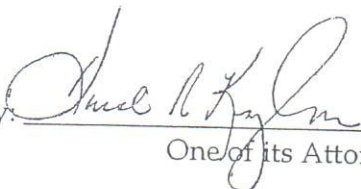


One of its Attorneys

David R. Kugler, Esq.  
100 N. LaSalle St., Ste. 501  
Chicago, Illinois 60602

**Policemens' Annuity and Benefit Fund of  
Chicago**

By: \_\_\_\_\_

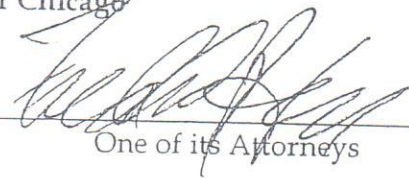


One of its Attorneys

Frederick Heiss  
166 W. Washington St., Ste. 600  
Chicago, Illinois 60601

**Board of Trustees of the Municipal Employees'  
Officers' and Officials' Annuity and Benefit  
Fund of Chicago**

By: \_\_\_\_\_

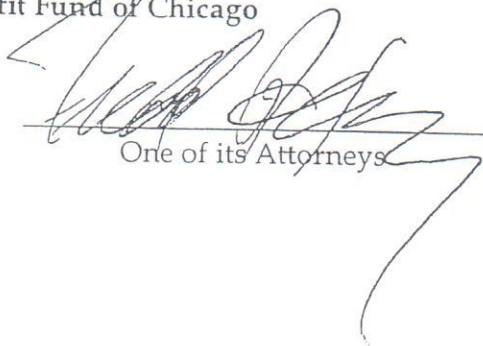


One of its Attorneys

Frederick P. Heiss  
166 W. Washington St., Ste. 600  
Chicago, Illinois 60602

**Board of Trustees of the Laborers' and  
Retirement Board Employees' Annuity and  
Benefit Fund of Chicago**

By: \_\_\_\_\_



One of its Attorneys