

Appendices for the Report to the Mayor's Office on the State of Retiree
Healthcare by the Retiree Healthcare Benefits Commission

Exhibit A-7:
Correspondence from Pension Funds
and Representatives

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*

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.

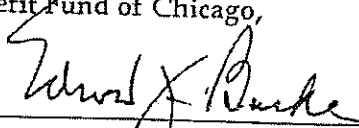
Sincerely,

[SIGNATURE PAGE FOLLOWS]

July 20, 2011
Page 4

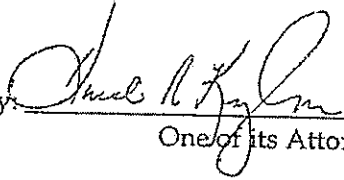
Edward J. Burke
Mary Patricia Burns
Burke Burns & Pinelli, Ltd.
70 West Madison St., Ste. 4300
Chicago, Illinois 60602

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

By: 
One of its Attorneys

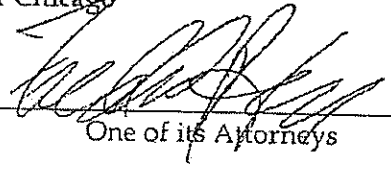
David R. Kugler, Esq.
100 N. LaSalle St., Ste. 501
Chicago, Illinois 60602

Policemens' Annuity and Benefit Fund of
Chicago

By: 
One of its Attorneys

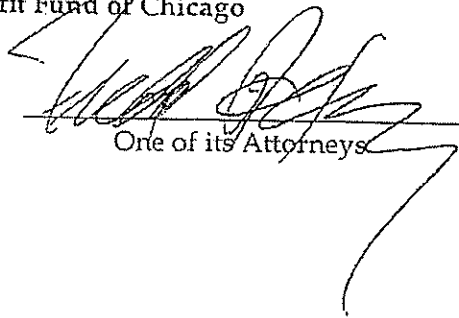
Frederick Heiss
166 W. Washington St., Ste. 600
Chicago, Illinois 60601

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



FRATERNAL ORDER OF POLICE

CHICAGO LODGE #7

1412 WEST WASHINGTON BOULEVARD • CHICAGO, ILLINOIS 60607-1821
PHONE: 312-733-7776 • FAX: 312-733-1367

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MICHAEL W. UNDERWOOD

October 19, 2012

Amer Ahmad, Chairman
Retiree Healthcare Benefits Commission
Department of Finance
33 N LaSalle Street, 7th Floor
Chicago, IL 60602


Re: *Korshak* Settlement Agreement

Dear Mr. Ahmad,

At the Commission's last meeting, FOP Vice President William Dougherty appeared on behalf of the 17,000 members of the Fraternal Order of Police to recommend that the current terms of the *Korshak* Settlement Agreement remain in place for another ten years. I am writing to reiterate the FOP's position in this regard and ask that no changes be made to the structure of the plan.

Would you please make your fellow Commission members aware of our wishes? Thank you.

Sincerely,


Michael K. Shields
President

THE ELECTED REPRESENTATIVE OF CHICAGO'S PATROL OFFICERS



WILLIAM L. IRVING
CHICAGO, ILLINOIS 60652

November 2, 2012

Retiree Health Benefits Commission (RHBC)
Amer Ahmad, Comptroller of the
City of Chicago; (RHBC) Board Member
33 North LaSalle Street
Chicago, Illinois 60602

Leemore Dafney
RHBC Board Member
33 N. LaSalle Street
Chicago, Illinois 60602

Michael Knitter
RHBC Board Member
33 N. LaSalle Street
Chicago, Illinois 60602

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

Dear Board Members of the RHBC:

As you know, on June 19, 2012, Mayor Emanuel appointed me as a Board Member of the Retiree Health Benefits Commission to serve on said Commission as the representative of 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").

I would like at this time to express some of my thoughts, as representative of the Funds, to each of you, as recognized professionals and to place my thoughts on record, hopefully to help resolve into the future vital healthcare issues relating to the retired employees of the City of Chicago and their families.

First, I believe it is important for each of us to understand the history and background of the terms and conditions pursuant to which the City has provided healthcare services to the City's retirees over the past thirty years:

A. HISTORY OF PROVISIONS OF HEALTHCARE SERVICES TO CITY RETIREES

For a period of 30 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 prior to 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

Page 2

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, 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

Page 3

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.”

Second, I think it is important for each of us to understand the nature and purpose of the RHBC as intended by the Korshak Parties and the logical consequences of its success or failure:

B. THE ESTABLISHMENT OF THE RHBC AS INTENDED BY THE “KORSHAK” PARTIES

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 healthcare benefits, costs regarding same and all other issues relating to the provision of retiree healthcare after June 30, 2013. The RHBC therefore, through its expert opinions and recommendations was and 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 and I, as their representative, deem it critical that the Members of the RHBC are made aware of the foregoing milestone events of this 30 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 30 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.

Third, I would like to briefly express, in writing, and place of record some of my thoughts regarding our recommendations to the Mayor:

Page 4

C. SOME PROPOSED RECOMMENDATIONS TO THE MAYOR CONCERNING REITREE HEALTHCARE SERVICES AFTER JUNE 30, 2013.

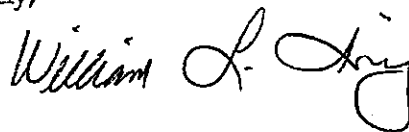
As noted in the Funds' prior correspondence to you as well as my past representations, the timely and seamless provision of continuing healthcare coverage to the City of Chicago annuitants is critical both to the City and, its approximately 35,000 retirees, especially during these difficult economic 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 very efficiently, economically and equitably as to all concerned. For this reason it should be maintained.

For example, current provisions such as: (i) Definitions of Terms; (ii) terms defining cost sharing; (iii) the method of ascertaining cost projections for the ensuing year; (iv) the length and term of the agreement (absent an understanding of a lifetime term); (v) the inter-party accounting and annual reconciliations of annual cost sharing as between the Parties are but a few practical working provisions best renewed and judicially supervised.

Finally, the Funds and I as their representative, strongly recommend 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) reasonable and up-to-date modifications to said terms and conditions; (ii) the passage of supplementary necessary legislation by the Illinois General Assembly relating to the Funds' required subsidies; and (iii) continued retention of judicial jurisdiction as set forth in subsection V B.7 of the 2003 Settlement Agreement for purposes of fair, objective and equitable enforcement to the benefit of all parties.

Thank you for your considerations.

Sincerely,

A handwritten signature in black ink, appearing to read "William L. King". The signature is written in a cursive, flowing style with a large, prominent "K" at the end.

WILLIAM L. IRVING
CHICAGO, ILLINOIS 60652

December 19, 2012

Retiree Health Benefits Commission (RHBC)
Amer Ahmad, Comptroller of the
City of Chicago; (RHBC) Board Member
33 North LaSalle Street
Chicago, Illinois 60602

Leemore Dafney
RHBC Board Member
33 N. LaSalle Street
Chicago, Illinois 60602

Michael Knitter
RHBC Board Member
33 N. LaSalle Street
Chicago, Illinois 60602

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

Dear Board Members of the RHBC:

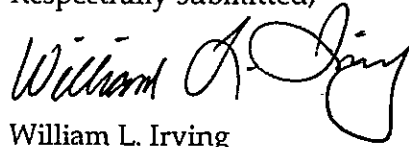
I am writing to you today to emphasize the importance of extending the annuitants healthcare benefits, as addressed in my letter to you dated November 2, 2012, a copy of which is attached. As you may recall, my November 2nd correspondence strongly recommended a reasonable solution to the difficult issues raised by continuing healthcare benefits for annuitants. In further support of this position, I would like to add and reiterate several comments for the record, as follows:

- The existing plan design with the existing co-pays, deductibles and drug coverage features is efficient, economical and reasonable; further, in comparison with sister agencies, our costs are plainly cheaper --- due in part to the size of our annuitant class.
- The Funds' proposed renewal term of ten years lends a relatively modest length of time to establish and maintain economic and political stability; further, the proposed renewal term will negate the substantial uncertainty of how the Affordable Care Act will impact retiree healthcare benefits until the said Act is fully defined and implemented.
- The framework of administering the current plan has been in place for twenty-five years in collaboration with the City. Not only does such longevity provide a "tried and tested" assurance regarding the plan, but it also provides stability that is essential going forward. Administrative features contained within the current system provides: (i) premium cost collection and reimbursement to the City; (ii) participant accounting information to annuitants; (iii) plan change information, if any, to annuitants; (iv) the annual reconciliation process regarding annuitant/City share of premium cost; and (v) per annuitant subsidy administration and accounting are but a few of the in place necessary and convenient components of the present annuitant healthcare administration.

December 19, 2012
Page 2

- Finally, it is in the best interests of the City to maintain the existing agreed upon collaboration with the Funds for the proposed new term. Not only will this proposed extension garner the benefits of a continued effective administration, but also provide flexibility and the necessary additional time required to readily and economically solve future problems as they may arise through the existing independent and objective enforcement framework of the Korshak Agreement.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "William L. Irving". The signature is written in a cursive style with a large, prominent initial "W".

William L. Irving