

Dear Retired and Widowed City of Chicago members:

As you know retiree healthcare services have been provided to City of Chicago retirees (and their dependents) through the City of Chicago self-insured health plans on a cost sharing basis pursuant to the terms of a series of settlement agreements arising from a lawsuit captioned *City of Chicago v. Marshall Korshak*. **Pursuant to the terms of the current 2003 ten year Settlement Agreement, healthcare services will terminate on June 30, 2013 for current and future retirees.**

THE RETIREE HEALTHCARE BENEFITS COMMISSION

A material provision of the 2003 Settlement Agreement provides that a Retiree Health Benefits Commission ("RHBC") be established by the City. One of the purposes 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**.

As of this date, we are unable to report to you: (i) what recommendations the RHBC will make to the City regarding the provision of post **June 30, 2013** healthcare plan services and funding of same; or (ii) what the City will do when and if such recommendations from the RHBC are forthcoming.

PRUDENCE CONCERNING POST 2013 HEALTHCARE SERVICES

The 2003 Settlement Agreement governing your current health care plan expires on **June 30, 2013**. Please note that without a further agreement being entered into between the parties or some legislative action being taken, the provision of retiree healthcare services on the basis of shared funding will be lost. In this regard, the retirees have always contended that based upon past practices, the City is required to provide a healthcare plan to retirees and to contribute to the annuitants' health benefits. The City, on its part, has always maintained that it is not by statute or ordinance obligated to provide annuitant health benefits.

Each retiree should, therefore, take whatever steps he or she deems prudent to prepare for the possibility that after June 30, 2013 the City will not provide a health care plan for retirees or, alternatively, that the terms and costs of any future health care plan for retirees may differ significantly from the health care plan now in existence.

To the extent the Funds receive information in the future regarding any RHBC recommendations we will provide notice of such recommendations.