

This is a joint letter from the City of Chicago ("the City"), your Pension Fund, and Class Counsel, with approval by the Court in the City of Chicago v. Korshak Lawsuit ("Korshak Lawsuit")

September 2007

Dear City of Chicago Annuitant:

You are or have been a participant in one of the City's Annuitant Settlement Healthcare Plans, which the City provides pursuant to the 2003 Korshak Lawsuit Settlement Agreement. Under the 2003 Settlement, your annuitant healthcare premium is determined by a formula, which is based on a projection for each year's healthcare costs. The monthly projected costs are calculated and then reduced by the City's percentage share of the costs, and your pension Fund's fixed subsidy amount. As a participant annuitant, the remaining portion of the cost is covered by your premium, which is withheld from your monthly pension check.

For the 2005 Plan Year, an independent examination conducted by the Pension Funds and Class Counsel has been completed of the City's analysis comparing the projected costs used to calculate the monthly premiums and the actual costs of annuitant healthcare. That examination report is available for review at your Pension Fund's office. The City, Class Counsel and the Pension Funds will submit the City's analysis and the independent examination to the Court for review and approval.

Based on such, it has been determined that you are entitled to receive the enclosed refund of a portion of the premiums which you paid in the above audit period. In addition, your refund includes interest which the City agreed to pay, at an annual rate of 6% simple interest, beginning on February 1, 2007.

For all periods subsequent to the above audited time period, the City, the Pension Funds and Class Counsel will present to the Court for approval a procedure for periodic examinations and reconciliations. We cannot predict future years' rates at this time, and you should NOT anticipate receiving future refunds.

If you have any questions, feel free to first call the City's Benefits Office. If you do not get your questions answered, please contact your Pension Fund or Class Counsel. **DO NOT CALL THE COURT.**

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