

**APPROVE SETTLEMENT RECOMMENDATION IN THE MATTER OF  
BOARD OF TRUSTEES OF THE PUBLIC SCHOOL TEACHERS' PENSION AND  
RETIREMENT FUND OF CHICAGO v. BOARD OF EDUCATION OF THE CITY OF CHICAGO PUBLIC  
SCHOOLS**

**THE GENERAL COUNSEL REPORTS THE FOLLOWING SETTLEMENT:**

**DESCRIPTION:** The Illinois Pension Code formerly required that if the total amount paid to the Fund from the Board and from the State of Illinois in any fiscal year of the Board did not equal teacher contributions for that fiscal year, the Board must pay the deficiency to the Fund in the Board's next fiscal year. The Fund alleged that for the Board's Fiscal Years 1991, 1992 and 1993, the Board underpaid the deficiency. The Fund sought relief to compel the Board to pay to the Fund the sum of \$7,197,565 for Fiscal Year 1991, \$12,564,832 for Fiscal Year 1992, and \$35,642,793 for Fiscal Year 1993, plus lost investment earnings and interest. On December 17, 2000, upon the Joint Motion of the Board and the Fund, the Circuit Court entered an order dismissing the case, but without prejudice to the right of the Fund to seek to reinstate the case within 120 days of its entry. On February 13, 2002, the Board and the Fund entered into an Agreement for Preservation of Claims which provided that certain claims of the Fund with respect to the Board were not covered by the Court Order and that the parties would retain all their rights, claims and defenses with respect to these claims. These claims concern payments that the Board was required to make to the Fund in respect of employees taking special early retirement in 1993 through 1995. The Fund contends that the Board failed to pay the full amounts due and that it still owes approximately \$4,498,055, plus interest which the Fund calculated as of January 1, 2002 to be \$2,049,258. The settlement agreement will require the dismissal of all Fund claims regarding deficiency payments for the fiscal years 1991-1993 as well as the early requirement payments for fiscal years 1993-1995.

**LSC REVIEW:** LSC approval is not applicable to this report.

**FINANCIAL:** Charge \$7,000,000 to Law Department  
Budget Classification Fiscal Year 2005.....0963-210-000-7072-5490

**AUTHORIZATION:** Authorize the General Counsel to execute the Settlement Agreement, and all ancillary documents related thereto.

**GENERAL CONDITIONS:**

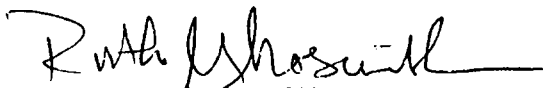
*Inspector General - Each party to the agreement shall acknowledge that, in accordance with 105 ILCS 5/34-13.1, the Inspector General of the Chicago Board of Education has the authority to conduct certain investigations and that the Inspector General shall have access to all information and personnel necessary to conduct those investigations.*

*Conflicts - The agreement is not legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board Members during the one year period following expiration or other termination of their terms of office.*

Indebtedness - The Board's Indebtedness Policy adopted July 26, 1995 (95-0726-EX3), as amended from time to time, is hereby incorporated into and made part of this agreement.

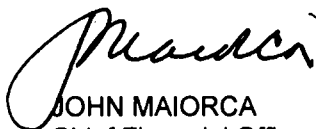
Ethics - The Board's Ethics Code adopted September 27, 1995 (95-0926-RU3), as amended from time to time, is hereby incorporated into and made part of this agreement.

Approved,



RUTH M. MOSCOVITCH  
General Counsel

Within Appropriation:



JOHN MAIORCA  
Chief Financial Officer