

**APPROVE SETTLEMENT OF DEFICIENCY CLAIM OF BOARD OF TRUSTEES OF THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO**

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

**DESCRIPTION:**

The Board of Trustees of the Public School Teachers' Pension and Retirement Fund of Chicago ("Fund") asserts that the Board failed to accurately calculate and pay employee contributions to the Fund from FY 2002 through FY 2006. The Fund discovered the alleged deficiencies by auditing the Board's legacy payroll system when it had access to that system. In general, the claimed deficiencies occurred due to a requirement in the Pension Code that employees only contribute for pay periods in which they worked 5 or more days, which necessitated manual evaluation that was prone to error. (The Pension Code has since been amended to avoid this issue.) The Fund claims the Board owes approximately \$2,600,000.00 for these deficiencies, and has billed the Board for that amount. The Board's sample audit indicated that approximately 50% of the deficiency claims were inaccurately billed. The Board's Chief Financial Officer negotiated a settlement of the claims with the Fund's Chief Executive Officer, subject to each Board's approval, for the sum of \$1,300,000.00.

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

**AFFIRMATIVE ACTION STATUS:** Affirmative Action review is not applicable to this report.

**FINANCIAL:** Charge to the General Fund for non-tort legal settlements, Account #12470-115-57135-119004-000000 FY 2012. . . . . \$1,300,000.00

**AUTHORIZATION:** Authorize the General Counsel to execute the Settlement Agreement(s), 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.

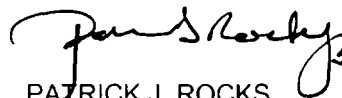
Conflicts – The agreement shall not be legally binding on the Board if entered into in violation of the provisions of 105 ILCS 5/34-21.3 which restricts the employment of, or the letting of contracts to, former Board member during the one year period following expiration or other termination of their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

Indebtedness – The Board's Indebtedness Policy adopted June 26, 1996 (96-0626-PO3), as amended from time to time, shall be incorporated into and made a part of the agreement.

Ethics – The Board's Ethics Code adopted May 25, 2011 (11-0525-PO2), as amended from time to time, shall be incorporated into and made a part of the agreement.

Contingent Liability – The agreement shall contain the clause that any expenditure beyond the current fiscal year is deemed a contingent liability, subject to appropriation in the subsequent fiscal year budget(s).

APPROVED,



PATRICK J. ROCKS  
General Counsel *WJM*

WITHIN APPROPRIATION:



DAVE WATKINS  
Chief Financial Officer