

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
CITY OF CHICAGO
AND THE
FRATERNAL ORDER OF POLICE, CHICAGO LODGE NO. 7
REGARDING
RETIREE HEALTH CARE BENEFITS

The parties agree that the health care benefit provided to officers who retire on or after age sixty (60) pursuant to Section 25.2 of the parties' collective bargaining agreement ("the Agreement") shall be extended to officers who retire on or after age fifty-five (55), subject to the following terms and conditions:

A. Applicability

This memorandum of understanding applies only to any officer who retires on or after age fifty-five (55) with a retirement date on or after November 1, 2009 and who intends to avail himself/herself of the health care benefit provided to officers who retire on or after age sixty (60) by Section 25.2 of the Agreement.

B. Health Care Benefits Upon Retirement

1. Officers Who Retire on or After Age Sixty (60)

Officers who retire on or after age sixty (60) shall continue to receive the health care benefit set forth in Section 25.2 of the Agreement and may elect to have their final compensation paid in accordance with Section (C). Any officer who intends to exercise this option shall notify the Employer of his/her intent in writing at the time he/she files for retirement and shall otherwise comply with any administrative procedures established by the Employer to implement this provision. After an officer files for retirement, he/she may only rescind his/her election prior to the effective date of retirement or by any administrative deadline established by the Employer, whichever date is earlier. Upon retirement, the officer's election becomes irrevocable.

2. Officers Who Retire on or After Age Fifty-Five (55) and Before Age Sixty (60)

Officers who retire on or after age fifty-five (55) and before age sixty (60) shall be eligible for the health care benefit set forth in Section 25.2 of the Agreement, provided that

the required number of eligible officers file for retirement in accordance with the following schedule:

| <u>Required Number of Officers</u> | <u>Filing Deadline</u> | <u>Effective Date of Retirement</u> (must be age 55 through 59) |
|------------------------------------|---|--|
| 160 | 10/01/2009 | 11/01/2009 through 03/31/2010 |
| 130 | 01/01/2010 | 04/01/2010 through 12/31/2010 |
| 100 | 10/01/2010 | 01/01/2011 through 12/31/2011 |
| 100 | 10/01/2011 and each 10/01 thereafter | 01/01/2012 through 12/31/2012 and each 01/01 through 12/31 thereafter |

At least thirty (30) calendar days prior to each filing deadline, the Employer shall send notice to the Lodge of the number of retirement applications filed to date and the name of each applicant and shall send notice to each applicant of the number of retirement applications filed to date. If the requirement set forth in this subsection is not satisfied, the Employer shall send notice to the Lodge and each applicant that the minimum threshold was not met within three (3) business days of the filing deadline, and such applicants shall have the right to withdraw their filings for retirement within fifteen (15) business days from the date of such notice.

C. Payment of Final Compensation Upon Retirement

1. Legally Required Final Compensation

Upon retirement, the Employer shall pay to each eligible officer or his/her estate if necessary any compensation owed to such officer in the form of wages earned, unused compensatory time granted pursuant to the federal Fair Labor Standards Act ("FLSA"), unused elective time provided by the Agreement (e.g., furlough days, Baby Furlough Days and personal days) and any other final compensation that may be legally owed to such officer, except as provided by subsection (C)(2). Any wage increases that are implemented as a result of negotiations, mediation or interest arbitration for a successor collective bargaining agreement and that are effective prior to the officer's date of retirement shall be applied retroactively to his/her legally required final compensation paid pursuant to this subsection.

2. Non-FLSA Compensatory Time

Upon retirement, the Employer shall calculate the value of each officer's accumulated non-FLSA compensatory time (if any) based on the officer's rate of pay in effect at the time of retirement. Any wage increases that are implemented as a result of negotiations, mediation or interest arbitration for a successor collective bargaining agreement and that are effective prior to the officer's date of retirement shall be applied retroactively to the value of his/her non-FLSA compensatory time paid pursuant to this subsection.

As part of the officer's legally required final compensation, the Employer will pay to the officer or his/her estate the value of his/her non-FLSA compensatory time up to yet not exceeding \$10,000.00.

On or before March 1 of the first calendar year following the date of the officer's retirement, the Employer shall pay to the officer or his/her estate the value of his/her remaining non-FLSA compensatory time up to yet not exceeding \$15,000.00. If a remainder exists, the Employer shall also pay to the officer or his/her estate one-third of the value of the remainder.

On or before March 1 of the second calendar year following the date of the officer's retirement, the Employer shall pay to the officer or his/her estate the value of his/her remaining non-FLSA compensatory time up to yet not exceeding \$20,000.00. If a remainder exists, the Employer shall also pay to the officer or his/her estate one-half of the value of the remainder.

On or before March 1 of the third calendar year following the date of the officer's retirement, the Employer shall pay to the officer or his/her estate the value of any and all remaining non-FLSA compensatory time.

D. Term of Memorandum of Understanding

The terms and conditions of this memorandum of understanding shall be subject to renegotiation by the parties on or after June 30, 2012.

E. Ratification of Memorandum of Understanding

This memorandum of understanding is subject to the ratification process designated by the Lodge in accordance with its Constitution, By-Laws and other governing procedures.

If this memorandum of understanding is ratified through such process, the Lodge shall promptly notify the Employer in writing of such ratification, and this memorandum of understanding shall be implemented as expeditiously as possible. Thereafter, neither this memorandum of understanding nor any of its terms and conditions shall be submitted as part of any ratification process for a successor collective bargaining agreement or as a disputed issue during any interest arbitration. This memorandum of understanding may, however, be introduced as evidence by either party during any interest arbitration consistent with the parties' letter of understanding regarding such issue.

If this memorandum of understanding is not ratified through such process, its terms and conditions shall be considered null and void, but may be the subject of continued negotiations between the parties.

James C. Franczek, Jr.
On Behalf of the City of Chicago

Joel A. D'Alba
On Behalf of the Fraternal Order of Police,
Chicago Lodge No. 7



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July 17, 2009

Mr. Joel A. D'Alba
Asher, Gittler, Greenfield & D'Alba, Ltd.
200 West Jackson Boulevard, Suite 1900
Chicago, Illinois 60606

Re: Impact of Memorandum of Understanding for Retiree Health Care Benefits on Subsequent Negotiations or Any Interest Arbitration Proceedings

Dear Mr. D'Alba:

This letter confirms our understanding and agreement regarding the impact of the *Memorandum of Understanding Regarding Retiree Health Care Benefits* executed by the parties on July 17, 2009 on subsequent negotiations or any interest arbitration proceedings for a successor collective bargaining agreement effective July 1, 2007.

Background

For more than ten years, one of the Lodge's main goals during negotiations has been to obtain health insurance for retired officers with the full cost of the premium for coverage paid for by the Employer.

At the outset of the 1999 negotiations, the Lodge identified its four main bargaining goals—one of which was to require the Employer to allow officers who retire on or after age sixty to participate in the active health care program until they were eligible for Medicare (commonly referred to by the parties as "60-65"). After intense negotiations, the Employer agreed to 60-65 and other benefit enhancements in exchange for significant health care concessions by the Lodge, and such changes were implemented prior to an overall settlement. While the parties eventually proceeded to interest arbitration, this free-standing agreement was not subject to modification by the dispute resolution board, but its significance was considered by the dispute resolution board in assessing the value of the Employer's overall economic package.



During the 2003 negotiations, the 60-65 provision was a highly contentious issue that was eventually submitted to interest arbitration. The Employer proposed to eliminate the benefit; the Lodge proposed to expand its coverage. The dispute resolution board rejected the parties' final offers, and the *status quo* was maintained.

At the initial session for the 2007 negotiations, the Lodge submitted its proposals for a successor agreement, which included a proposal to expand the 60-65 provision to officers who retired on or after age fifty-five. While the Employer initially rejected the proposal based on its cost, the opportunity to implement this benefit became increasingly attractive as the global economic crisis became more severe. As a result, on July 17, 2009, the parties executed a free-standing *Memorandum of Understanding Regarding Retiree Health Care Benefits* ("*Memorandum of Understanding*") to implement a "55-59" provision with unique terms and conditions that will allow the Employer to offer this benefit while generating considerable savings now and in the future.

**Impact of *Memorandum of Understanding* on
Future Negotiations and Proceedings**

The *Memorandum of Understanding* is a significant achievement that benefits the Employer, the Chicago Police Department, the Lodge and its members. In both present and prospective terms, the *Memorandum of Understanding* should produce considerable savings to the Employer and is responsive to its critical need to reduce operational costs now and in the years to come. The *Memorandum of Understanding* is also a substantial accomplishment by the Lodge on one of its longstanding priorities. In sum, from a bargaining perspective, the *Memorandum of Understanding* embodies a "breakthrough" provision with accompanying benefits and burdens for all parties involved.

For these reasons, the parties recognize and agree as follows:

- The implementation of the *Memorandum of Understanding* prior to the conclusion of negotiations for a successor collective bargaining agreement is highly unusual, rarely agreed to by the parties and is the result of the parties recognizing the importance of these issues;
- The implementation of a health care benefit for officers who retire on or after age fifty-five represents the achievement of a major negotiations goal for the Lodge;



- The implementation of the *Memorandum of Understanding* represents a significant commitment by the parties and is expected to produce savings now and in the future; and
- In the event that the parties proceed to interest arbitration, the dispute resolution board shall consider evidence regarding the bargaining history for this issue and shall accord the *Memorandum of Understanding* its appropriate weight in fashioning an overall award.

Your acknowledgment and agreement is appreciated in the space provided below.

Very truly yours,

James C. Franczek, Jr.

AGREED:

Joel A. D'Alba



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July 17, 2009

Mr. Joel A. D'Alba
Asher, Gittler, Greenfield & D'Alba, Ltd.
200 West Jackson Boulevard, Suite 1900
Chicago, Illinois 60606

Re: Joint Pension Legislation Council

Dear Mr. D'Alba:

This letter confirms the agreement between the City of Chicago and the Fraternal Order of Police, Chicago Lodge No. 7, to establish a Joint Pension Legislation Council. As we have discussed, the Joint Pension Legislation Council will be responsible for reviewing, researching and developing recommendations if appropriate regarding any and all legislation impacting or otherwise related to the *Policemen's Annuity and Benefit Fund of Chicago, Illinois*. The parties have already explored the issues of membership, legislative review procedures and scheduling and agree to continue to discuss and ultimately decide upon the necessary features of the Joint Pension Legislation Council. Finally, this letter confirms the parties' intent that the Joint Pension Legislation Council be established and fully operational prior to the 2010 spring session of the 96th General Assembly.

Your acknowledgment and agreement is appreciated in the space provided below.

Very truly yours,

James C. Franczek, Jr.

AGREED:

Joel A. D'Alba