

# **Exhibit 27**

Settlement Agreement with Retirees

**EXECUTION COPY**

Confidential Document Setting Forth Terms of Settlement between the City of San Bernardino ("City") and the Official Committee of Retired Employees of the City of San Bernardino ("Retiree Committee")

RECITALS

WHEREAS, on August 1, 2012, ("Petition Date"), the City filed its chapter 9 Petition for bankruptcy protection (the "Chapter 9 Case") in the United States Bankruptcy Court located in the Central District of California (the "Bankruptcy Court");

WHEREAS, on September 17, 2013, the Bankruptcy Court entered an order for relief and a related order determining that the City had met the chapter 9 eligibility requirements of 11 U.S.C. § § 109 and 921;

WHEREAS, on October 11, 2013, the U.S. Trustee appointed the Retiree Committee, which represents the interests of the retired employees of the City (the "Retirees");

WHEREAS, on June 9, 2014, the mediator appointed in the Chapter 9 Case approved the interim agreement between the California Public Employees' Retirement System ("CalPERS") and the City (the "CalPERS Agreement"), pursuant to which the City agreed to file a chapter 9 plan of adjustment (the Chapter 9 Plan") which would not impair the City's obligations to CalPERS, ratify in full the City's relationship with CalPERS, and would not reject the City's relationship with CalPERS;

WHEREAS, the City and the Retiree Committee have met on several occasions and have exchanged numerous proposals for the purpose of resolving the treatment by the City during the Chapter 9 Case and under the Chapter 9 Plan of retiree healthcare benefits provided to the Retirees ("Retiree Health Benefits"), City contributions to CalPERS and the retention and preservation of the Retirees' CalPERS pension benefits ("CalPERS Pensions"); and,

WHEREAS, the City and the Retiree Committee now wish to memorialize the terms of the agreements set forth below.

SETTLEMENT TERMS

1. The Recitals as set forth above are true and correct and are hereby incorporated herein.
2. Effective January 1, 2015, the City and the Retiree Committee agree that the following modifications shall be made to the Retiree Health Benefits and City contributions relating to the same:

a. **Medicare Eligible Retirees Under the Age of 65** . Retirees in this category shall include all Retirees under the age of 65 as of January 1, 2015 and: (i) who will become eligible for Medicare benefits once the Retiree reaches the age of 65; or (ii) whose spouse or partner will become eligible for Medicare benefits once this individual reaches the age of 65. All Retirees in this category will be eligible to participate in the City's healthcare plans until they reach the age of 65; however: (i) the City will no longer provide a subsidy of \$112 per month; (ii) Retirees will no longer be allowed to participate in a "blended" benefit program with active City employees but will be placed in a Retiree-only healthcare plan; and (iii) in the event that a Retiree opts out of the City's healthcare plans for Retirees, that Retiree will not be eligible to participate in the City's health benefit programs in the future.

b. **Medicare Eligible Retirees Who Are Age 65 and Over.** Retirees in this category shall include Retirees who are age 65 or older as of January 1, 2015 and: (i) who are eligible for Medicare benefits; or (ii) whose spouse or partner is eligible for Medicare benefits or who will become eligible for Medicare benefits once this individual reaches the age of 65. For All Retirees in this category, the City will no longer provide a subsidy of \$112 per month. Also, the City's sponsored healthcare coverage will terminate as of the date of the Retiree's 65<sup>th</sup> birthday or that Retiree's spouse/partner's 65<sup>th</sup> birthday (whichever individual is Medicare-eligible); if both the Retiree and the spouse/partner are Medicare eligible, the City's sponsored healthcare coverage will terminate on the earliest date that either reaches the age of 65. Upon termination of healthcare coverage, the City will provide information to the Retirees in this category concerning options to purchase Medicare Supplemental plans and/or managed care plans.

c. **Medicare Ineligible Retirees Under the Age of 65.** Retirees in this category shall include Retirees hired prior to April 1, 1986 who are under the age of 65 as of January 1, 2015, and who are not eligible for Medicare benefits. All Retirees in this category will be eligible to participate in the City's healthcare plans; however: (i) the City will no longer provide a subsidy of \$112 per month; (ii) Retirees will no longer be allowed to participate in a "blended" benefit program with active City employees but will be placed in a Retiree-only healthcare plan; and (iii) in the event that a Retiree opts out of the City's healthcare plans for Retirees, that Retiree will not be eligible to participate in the City's health benefit programs in the future.

d. **Medicare Ineligible Retirees Who are Age 65 and Over.**

Retirees in this category shall include Retirees: (i) hired prior to April 1, 1986; (ii) who are not eligible for Medicare benefits and provide proof to the City of noneligibility; and (iii) who are age 65 or older as of January 1, 2015, or who reach the age of 65 after January 1, 2015 and who satisfy the two previous requirements of this paragraph. All Retirees in this category will be eligible to participate in the City's healthcare plans; however: (i) the Retirees will no longer be allowed to participate in a "blended" benefit program with active City employees, but will be placed in a City healthcare plan for Retirees only; and (ii) in the event that the Retiree opts out of the City's healthcare plans for Retirees, such Retiree will not be eligible to participate in the City's health benefit programs in the future. The City will provide to Retirees in this category a lifetime subsidy equivalent to the difference between the current and future premium for the lowest baseline unblended medical plan for 2014 ("Subsidy"). Any annual increases in the Subsidy shall be capped at two percent (2%) per calendar year. The Subsidy shall be available so long as the Retiree is not eligible to receive Medicare benefits. For calendar year 2015, the City will contribute \$112 per month towards the Subsidy.

3. In order to be eligible for any of the health plans or City Subsidies as defined herein, all Retirees shall be required to timely respond to all requests for information regarding eligibility for certain plans and/or City contributions toward the same. Retirees who fail to provide sufficient information in response to the City's request for eligibility information ("Affected Retirees") may be disqualified from participating in any plans or receiving City contributions. The City shall undertake reasonable efforts to contact Affected Retirees and provide them with a reasonable time and opportunity to respond to the City's request for information prior to any determination to disqualify an Affected Retiree from participating in any plans or received City contributions.

4. The City's modifications to Retiree Health Benefits set forth above and the terms of this settlement agreement are expressly conditioned upon the City's agreement to continue funding, abide by, and fully perform its obligations under its contract with CalPERS (the "CalPERS Contract") and under the CalPERS Agreement.

5. The City retains the discretion to modify, at any time, any of the City sponsored healthcare plans provided to any or all of the Retirees.

6. Pursuant to Resolution No. 2014-369, and for the avoidance of doubt, employees hired on or after January 1, 2013, shall not be eligible to receive City contributions, payments or subsidies for Retiree Health Benefits or premiums.

7. In accordance with Resolution No.2014-158, adopted by the City's Mayor and Common Council on June 19, 2014, all vacation leave accrued on or

after the Petition Date and payable to an eligible Retiree, shall be paid to such eligible Retiree in accordance with the procedures set forth in the Resolution.

8. Chapter 9 Plan.

a) Pursuant to the Chapter 9 Plan, the City will assume and/or reaffirm its CalPERS Contract such that Retirees receiving CalPERS Pensions shall experience no reduction in CalPERS Pensions.

b) All claims against the City with respect to Retiree Health Benefits, whether or not scheduled, filed, deemed filed or otherwise asserted or alleged by or on behalf of Retirees, their spouses, dependents and/or their respective affiliates, that arose or could have arisen prior to the date that the Chapter 9 Plan is confirmed ("Retiree Health Care Claims"), shall be treated as a separate class of unsecured claims in the Chapter 9 Plan and will be discharged in the City's Chapter 9 Case in exchange for the treatment of those claims as provided for in the Chapter 9 Plan, and as provided for in this agreement which shall be incorporated into and made a part of the Chapter 9 Plan, and holders of such claims shall receive, in return, a *pro rata* portion of \$500,000 (which amount shall equal approximately 1% of the allowed amount of the Retiree Health Care Claims).

9. The City shall undertake all reasonable, best efforts to obtain confirmation of the Chapter 9 Plan which: (a) provides for the City to honor its obligations to CalPERS with respect to the payment of CalPERS Pensions to the Retirees; (b) complies with the terms of the CalPERS Agreement; and (c) and incorporates this settlement agreement.

10. The Retiree Committee shall support, and shall take all reasonable actions necessary or reasonably requested by the City to facilitate, confirm and consummate the Chapter 9 Plan that contains the settlement terms contained herein, including, without limitation, the materials distributed to Retirees for voting on the Chapter 9 Plan, including a letter from the Retiree Committee encouraging Retirees to vote in favor of the Chapter 9 Plan.

11. Conditions Subsequent to this Agreement:

a) To the extent that the Chapter 9 Plan creates a separate class of Retiree Health Care Claims, if the class of Retiree Health Care Claims voting on the Chapter 9 Plan fails to vote to accept the Chapter 9 Plan (as acceptance is defined in Bankruptcy Code Section 1126(c)), the obligations of the City under this agreement shall no longer be binding on the City.

b) If the City is unable to confirm its Chapter 9 Plan containing the settlement terms hereof, this agreement shall no longer be binding on the City or the Retiree Committee.

12. The parties hereto agree to execute such other documents, and to take such other actions, as appropriate to implement the terms of this settlement agreement and to exercise and enforce their respective rights hereunder.

13. This agreement is not a solicitation of votes in favor of the Chapter 9 Plan. Unless otherwise agreed to by the parties hereto, this Agreement shall remain confidential until the City (i) files its disclosure statement for the Chapter 9 Plan, or (ii) is required to disclose this agreement in order to obtain the authorization of the City Council to file the Chapter 9 Plan.

14. Nothing in this agreement is intended to affect any post-employment benefit rights of City Water Department retirees paid solely from restricted funds.

15. Each signatory to this agreement represents that he or she is authorized to sign this agreement and thereby bind the entities and persons on whose behalf he or she signs.

AGREED TO AS OF THIS MAY 19, 2015 BY:

**The Official Committee of Retired Employees  
of the City of San Bernardino**

By: Robert Z Simmons  
Name: Robert Simmons  
Title: Chairman of the Retiree Committee

**The City of San Bernardino, California**

By: \_\_\_\_\_  
Name:  
Title:

**Confidential Settlement Agreement**

12. The parties hereto agree to execute such other documents, and to take such other actions, as appropriate to implement the terms of this settlement agreement and to exercise and enforce their respective rights hereunder.

13. This agreement is not a solicitation of votes in favor of the Chapter 9 Plan. Unless otherwise agreed to by the parties hereto, this Agreement shall remain confidential until the City (i) files its disclosure statement for the Chapter 9 Plan, or (ii) is required to disclose this agreement in order to obtain the authorization of the City Council to file the Chapter 9 Plan.

14. Nothing in this agreement is intended to affect any post-employment benefit rights of City Water Department retirees paid solely from restricted funds.

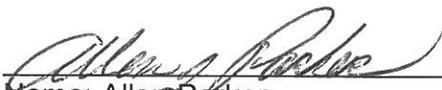
15. Each signatory to this agreement represents that he or she is authorized to sign this agreement and thereby bind the entities and persons on whose behalf he or she signs.

AGREED TO AS OF THIS MAY 19, 2015 BY:

**The Official Committee of Retired Employees  
of the City of San Bernardino**

By: \_\_\_\_\_  
Name: Robert Simmons  
Title: Chairman of the Retiree Committee

**The City of San Bernardino, California**

By:  \_\_\_\_\_  
Name: Allen Parker  
Title: City Manager