

We must NOT repeat mistakes of the past...

By John Reilly

A History Lesson from Chicago's Educators

Prior to 1995 CTPF was funded through City of Chicago tax levy. 1995 legislation redirected tax levy to CPS operating budget. General Assembly installs "safety net" to protect fund. State of Illinois agrees to a CTPF contribution of 20+% of amount allocated for TRS. Law also requires CPS to resume contributions when funding falls below 90%.

1995-2006 Pension "holiday" takes \$2 billion in funds earmarked for pensions and redirects them to Chicago Public Schools (CPS) operating budget. CPS promises to pay the Chicago Teachers' Pension Fund (CTPF) when the funded ratio falls below 90%. During this period, 1995-2005, the CPS contributed \$0 to the CTPF.

Funding shortfalls begin to take toll in 2005.

2006 CTPF's funded ratio falls and CPS begins making payments to the pension fund for first time in a decade.

2010 PA 96-0889 grants \$1.2 billion in pension "relief" to CPS and extends the funding schedule by 14 years. This costs taxpayers an additional \$12 billion.

2011-2013 CPS makes required payments to CTPF at the reduced amount (about \$200 million per year instead of the required \$600 million).

2012 Promised state funds never materialize. State funding for CTPF drops to \$10.9 million in 2012; TRS received \$2.7 billion. CTPF funded ratio drops to 53.9%. CTPF must liquidate \$50-75 million in assets each month to make pension payments.

2014 CPS must pay the pension fund more than \$600 million and has already told the Fund that it will have "difficulty" meeting this obligation.

Mistakes of the Past

On March 24, 2010, the Illinois General Assembly passed major public pension legislation that reduced benefits for most future state and local public employees. Public Act 96-0889 became law on April 14, 2010. A measure buried in the 2010 law also granted the Chicago Board of Education "relief" from their required pension payments for fiscal years 2011-2013, and extended the pension payment schedule by an additional 14 years.

Relief for CPS = Disaster for CTPF

Relief is a nice way of saying that the Illinois legislature allowed CPS to short change their pension obligation by \$1.2 billion, jeopardizing retirement security for nearly 60,000 Chicago educators and retirees. The additional interest accrued from extending the funding period will cost Illinois taxpayers an additional \$12 billion.

No More Holidays

The CPS payment schedule will escalate after the relief period ends in 2013. CPS will again ask legislators to repeat the mistakes of the past.

Learn from Mistakes

We must learn from past mistakes, not repeat them. The pension funding schedule escalated in 2010 primarily because of a 10-year pension "holiday" that CPS had taken from 1996-2005. During that period, CPS redirected pension tax revenue into its operating budget and failed to make any contributions to the pension fund. This so-called "holiday" cost CTPF \$2 billion in revenue and set the stage for our current financial crisis.

Fiscal Responsibility

Call it a holiday or relief, blame the problem on any number of issues, but the bottom line is that bills must be paid and retirement promises kept. CTPF currently liquidates \$50-\$75 million in assets each month to make pension payments. The employer's fiscal irresponsibility drove our fund into this situation – and only fiscal responsibility can repair the damage. Please hold CPS accountable for their required payment to the Chicago Teachers' Pension Fund.

Help us Write a New Page in Our History

We cannot ignore the lessons of the past. We must fully fund pensions for CTPF. Sixty thousand CTPF members in every Illinois district are counting on your support.

Please vote NO on SB 1920 and any other 'Pension Holiday' legislation!