Retired Teachers Association of Chicago

Since 1926

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Fill in your contact information and give/send this sheet to your elected representative.

RTAC Legislative Fact Sheet: HB 3695

RTAC Member's Name:________________________________

Address:________________________________

City: ________________ State:________ Zip Code:________

E-mail: ________________________________

Phone: ________________________________

Overview

State Representative Marcus C. Evans, Jr. (D-Chicago) and House Speaker Michael J. Madigan (D-Chicago) collaborated to develop, introduce and sponsor Illinois HB 3695. Co-Sponsoring Representatives who are joining them and providing bipartisan support are: House Majority Leader Barbara Flynn Currie (D-Chicago), John D'Amico (D-Chicago), Anthony DeLuca (D-Chicago Heights), David Harris (R-Mt. Prospect), Camille Y. Lilly (D-Chicago), Christian Mitchell (D-Chicago), Elgie R. Sims, Jr. (D-Chciago), Joe Sosnowski (R-Rockford), and Art Turner (D-Chicago). This critical legislation reinstates the pension tax levy diverted from the Chicago Teachers' Pension Fund (CTPF) to fund the Chicago Public Schools' (CPS) operating budget.

Until 1995, CTPF received funding directly from a pension tax levy, which ensured stable funding and secure retirements for CPS educators. This revenue was diverted to the CPS operating budget in 1995. Since that time CTPF has not had a secure funding source. CPS did not make pension contributions from 1996 through 2005. This resulted in a $2 billion revenue shortage for the Fund. Additional pension "holidays" from 2010 through 2013 cost CTPF an additional $1.2 billion. In total, CTPF has lost more than $3.2 billion in revenue and its funded ratio has fallen from 100% to 51.5%.

Synopsis of House Bill 3695: 105ILCS 5/34-53 from Ch. 122. par 34-53

Amends the School Code. Provides that a separate tax shall be levied by the Chicago Board of Education for the purpose of making an employer contribution to the Public School Teachers' Pension and Retirement Fund of Chicago, at the rate of 0.26%; requires the proceeds from this separate tax to be paid directly to the Pension Fund. Makes a corresponding reduction in the rate limitation for the tax for general educational purposes. Effective immediately.

House Floor Amendment 1

Specifies that, the changes made to the affected Section by the amendatory Act: (1) do not authorize an increase in the district's maximum aggregate extension or limiting rate under the Property Tax Extension Limitation Law or an increase in the existing total maximum rate limitation under this Section; and (2) constitute a continuation of the existing total maximum rate under this Section and are not a new rate for the purposes of the Property Tax Extension Limitation Law.

Impact

If this bill becomes law, it would be a significant step toward achieving stable funding for CTPF. A guaranteed revenue source will improve the financial health of the pension plan and secure the stable and long-promised retirements for Chicago's 27,700 retired CPS educators. CTPF members do not receive Social Security and must pay for health insurance when they retire.

Support HB 3695

RTAC respectfully asks legislators to support HB 3695.

RETIRED TEACHERS ASSOCIATION OF CHICAGO (RTAC)

Since 1926, the Retired Teachers Association of Chicago (RTAC), an independent, non-profit, 501(c) 4 organization, has worked to protect the pensions of retired Chicago Public School (CPS) educators. RTAC represents more than 9,700 active members and is not governed by or a part of CPS, the Chicago Teachers' Pension Fund (CTPF). or the Chicago Teachers Union (CTU).

Facts about RTAC Members and Pensions

Other Legislation Endorsed by RTAC

Illinois Senate Bill 783

Summary:
Provides the Chicago Teachers' Pension Fund with greater flexibility in facilitating and administering health care coverage options for pensioners.

Illinois Senate Bill 1235

Summary:
Increases the amount of money which CTPF can use to subsidize pensioners' health care from $65 million to $85 million per year.

Facts about RTAC Members and the Chicago Teachers' Pension Fund

1. CTPF members do not make Social Security contributions

A pension is the primary source of Chicago Teachers' Pension Fund (CTPF) members' retirement security. CTPF Retirees do not contribute to Social Security during CPS employment or receive benefits when they retire.

2. A lack of funding, not generous benefits, caused the current financial problems with the pension system

Prior to 1995, the Chicago Public Schools Board of Education (CPS) funded pensions on an annual basis through a property tax levy. In 1995, CPS sought and received a change in the law which allowed it to keep pension tax revenue (PA 89-0015). This law redirected more than $2 billion in funds designated for pensions into the CPS operating budget. A 2010 law (PA 96-0889), granted CPS an additional $1.2 billion in pension funding relief and extended the funding schedule by 14 years to 2059.

3. The State of Illinois provides minimal CTPF funding

State support for CTPF has fallen in recent years. CTPF serves about 18% of Illinois teachers, but receives less than 1% of State funding for teacher pensions. In 2015, the State of Illinois appropriated $3.5 billion to support TRS and $62.1 million for CTPF. That means that for every dollar allocated to downstate and suburban pensions, Chicago's retired teachers received less than two cents. Chicago taxpayers bear a double burden, funding both the Illinois Teachers Retirement System (TRS) and CTPF, without equal benefit.

4. Retirees depend on CTPF for health insurance

CTPF offers comprehensive group health insurance for members who must pay for their coverage after retirement (many do not qualify for "free" Medicare Part A). The Fund offers a health insurance premium subsidy, to help offset insurance costs, but it is limited to $65 million per year. CTPF was recently forced to cut benefits to retirees, and the amount will continue to decline as the number of retirees and their health insurance costs increase.

5. Pensions create a positive impact on Illinois' economy

About 85% of CTPF beneficiaries live in Illinois, and 50% of those members live in the City of Chicago. Pension benefits generate $1.7 billion in total economic impact on our State and help generate 12,628 jobs.