



Chicago Teachers' Pension Fund

TRUST. INTEGRITY. STABILITY.

# PENSION NEWS

WINTER 2011/2012 FOR RETIREES

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## CTPF TRUSTEES INSTALLED



CTPF Board of Trustees, from left to right, back row: Walter E. Pilditch, Chris N. Kotis, Mary Sharon Reilly, Raymond Wohl, Jeanne Marie Freed, Jeffery Blackwell, and Rodrigo A. Sierra. Pictured, front row, from left to right: Financial Secretary Tina Padilla, Vice President Lois W. Ashford, President Jay C. Rehak, and Recording Secretary James F. Ward. Not pictured, Andrea L. Zopp.

The Chicago Teachers' Pension Fund is governed by a 12-member board of trustees. The board includes 6 teachers, 3 pensioners, 1 principal/administrator, and 2 representatives from the CPS Board of Education. Terms of office for trustees are staggered. Elections were held this fall to fill two teacher trustee positions and three pensioner trustee positions. Tina Padilla and Raymond Wohl were elected to represent teachers. Walter E. Pilditch, Mary Sharon Reilly, and James F. Ward were re-elected to represent pensioners.

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## EXECUTIVE DIRECTOR'S LETTER

Separating pension facts from fiction



Kevin B. Huber, executive director

*Pensions provide secure and stable retirements for teachers, yet their very existence has come under attack. I want to dispel some of the myths that have circulated about pensions and set the record straight.*

### Myth #1: Public pensions are too generous.

**FACT: The average Chicago Teachers' Pension Fund (CTPF) retiree earns \$42,000 per year after investing 28 years of service in the Chicago Public Schools.**

Breaking down the distribution, 42% of CTPF retirees earn less than \$42,000 per year, and 27% earn less than \$30,000 per year. Less than 1/2 of 1% of all CTPF retirees earn more than \$100,000 per year. (Fiscal year 2010 data).

Continued on page 2

## CTPF FINANCIAL SNAPSHOT

### CTPF RETURN ON INVESTMENTS

September 30, 2011

	RATE OF RETURN	TOTAL FUND BENCHMARKS
1 year	1.65%	0.20%
3 year	2.53%	3.13%
5 year	1.08%	1.49%
10 year	5.33%	5.30%



As of September 30, 2011, the approximate current value of CTPF's investments was \$8.9 billion.



### Myth #2: Pensions drain our economy.

**FACT: Pension benefits have a substantial positive impact and ripple effect on our economy.**

A study released in 2009 by the National Institute on Retirement Security found that in the State of Illinois, each \$1 paid out in pension benefits supported \$1.50 in economic activity in the State of Illinois.

### Myth #3: Teachers receive Social Security.

**FACT: Teachers do not contribute to or receive Social Security retirement benefits.**

### Myth #4: Pensions are "given" to teachers.

**FACT: Teachers contribute to retirement and earn pensions with every paycheck.**

### Myth #5: Teachers don't contribute enough to their pensions.

**FACT: Teachers contribute more than the average taxpayer to fund their retirement.**

The normal Social Security contribution is 6%. Teachers contribute 9% each paycheck.

### Myth #6: Pensions are too expensive.

**FACT: Pensions are an efficient way to fund retirement.**

Pension mechanics are simple and have provided stable retirements for Chicago's teachers for more than 116 years. CTPF collects revenue, invests it, and distributes it in the form of pensions. Revenue for pensions comes from four sources: teacher contributions, employer contributions, State of Illinois contributions, and investment earnings. When all four sources make regular

contributions, obligations can be met. The system has worked for more than 100 years, through countless financial downturns, wars, and depressions. Problems arise when funding sources fail to make adequate contributions.

### Myth #7: Teachers should have a 401K instead of a pension.

**FACT: 401(k) plans jeopardize retirement security for individuals and would weaken the health of the pension plan.**

Moving to a defined contribution plan or 401(k) savings plan would weaken the overall health of the fund and eliminate a guaranteed pension benefit for participants.

### Myth #8: Pension reform legislation will solve our problems and save taxpayers a lot of money.

**FACT: The recent "reform" legislation proposed fails to recognize the real solution: mandated employer funding.**

Illinois Senate Bill 512, which stalled this fall, offered about \$2.7 billion in cuts to CTPF benefits over a 50-year period. This bill shifted more of the funding burden to teachers without requiring the employer to make adequate contributions. Reform must require accountability from employers.

### Myth #9: The cost of teachers' pensions have caused the fund's financial problems.

**FACT: A lack of Employer contributions led to this situation.**

For decades Chicagoans made a direct payment to the pension fund when they paid their tax bills. In 1995, however, the CPS system had a financial crisis and CTPF became a victim of its own success. At that time, CTPF enjoyed a

## 2012 MEDICARE COSTS AND HOW CTPF HELPS

*Medicare has released its monthly premium rates for 2012.*

### PART A: (HOSPITAL INSURANCE) PREMIUM

Many retirees do not pay a monthly Part A premium because they, a spouse, or former spouse, have 40 or more quarters of Medicare-covered employment.

For those who do not qualify for premium-free Part A, but have 30-39 quarters of Medicare-covered employment, the monthly Part A premium will be \$248. Individuals with less than 30 quarters of Medicare-covered employment pay \$451 monthly.

CTPF helps pay for Medicare Part A premiums by subsidizing 60% of your premium cost.\*

### PART B: (MEDICAL INSURANCE) PREMIUM

Members who currently have Part B premiums deducted from a Social Security benefit will see a Part B premium increase to \$99.90. All others will see their Part B monthly premiums decrease to \$99.90.

CTPF helps pay for Part B premiums by subsidizing 60% of your premium cost.\*

### MEDICARE PREMIUMS FOR HIGHER-INCOME INDIVIDUALS

The Social Security Administration requires that individuals with higher incomes pay an income-related adjustment amount (IRMAA) in addition to their standard Medicare premiums. These IRMAA premiums apply to Part B as well as prescription coverage. High income earners are defined as those with adjusted gross incomes more than \$85,000 individually or \$170,000 for married couples filing jointly.

CTPF does not subsidize any part of the IRMAA premium. CTPF only subsidizes the standard portion of Medicare premiums.

### QUESTIONS

If you have additional questions about how CTPF subsidizes insurance premiums, review the *CTPF 2012 Health Insurance Handbook and Open Enrollment Guide* available at [www.ctpf.org](http://www.ctpf.org).

\* CTPF retirees whose final teaching service was with the Chicago Public or Charter Schools may qualify for partial subsidy of their Medicare premiums and health insurance premiums. Dependents are not eligible for subsidy. CTPF does not subsidize any penalties for late enrollment into Medicare Parts A, B, and D. A surviving spouse and/or dependent children who receive a survivor's pension may also qualify for a premium subsidy.



funding level near 100%. CPS appealed to the legislature and Illinois lawmakers agreed to permanently redirect CTPF pension tax revenue directly into the CPS operating budget. During the period 1995-2005, CPS received approximately \$2 billion in pension tax revenue and paid \$0 to CTPF. When funding levels dropped to a critical level in 2006, CPS was required to make contributions to the fund. Years of underfunding led to a steep price tag, so in 2010 CPS sought and received an additional \$1.2 billion in funding relief from the Illinois legislature. If CPS had made steady contributions to the fund, CTPF would be about 90% funded today.

**Myth #10: The State of Illinois is spending a lot of money to support CTPF pensions.**

**FACT: CTPF receives almost no revenue from the State of Illinois.**

Unfortunately, state revenue promised to Chicago's teachers failed to materialize. While the suburban and downstate pension system will receive over \$2.5 billion in annual support for 2011, CTPF will receive no state funding.

Attacking pension benefits and blaming teachers will not solve pension funding problems – it's time to fight back with the facts. We expect the discussion about pension "reform" to continue in 2012 and we must prepare to take action. Our members must help define the debate, and I hope you'll do your part. Educate your friends and Illinois legislators, combat the myths, and share your voice.

A handwritten signature in black ink that reads "Kevin B. Huber". The signature is fluid and cursive.

Kevin B. Huber, executive director

“I want to thank outgoing Teacher Trustees John F. O’Brill and Maria J. Rodriguez for their dedication and service to the board,” remarked Kevin B. Huber, executive director. “Ms. Rodriguez was elected in 1999, and served as board president, vice president, and recording secretary. We extend our thanks for her dedicated service. Mr. O’Brill represented active teachers from 1995 – 2001 and again from 2005 – 2011. He served in many leadership roles, including president from 2005 – 2011. He put a tremendous amount of time and energy into ensuring the fund’s success and we thank him for his dedication.”

Huber continued, “we welcome our new members, welcome back our returning members, and look forward to a productive year.”

**TEACHER TRUSTEE ELECTION**

November 4, 2011, teachers and active contributors other than principals/administrators held an election in schools and at other designated polling places. Five candidates ran for two open positions. Tina Padilla and Raymond Wohl received the most votes and will serve three-year terms from November 2011 to November 2014.



*Tina Padilla*

A teacher for 23 years, Padilla taught mathematics at Lane Tech High School and has extensive experience in business, finance, and real estate development.

A national board certified teacher, she holds a bachelor’s degree in mathematics from Northeastern Illinois University, a master’s degree in mathematics from DePaul University,

and is currently enrolled in an MBA program at the Keller Graduate School of Management.

A 17-year CPS veteran, Wohl teaches at Thurgood Marshall Middle School. Wohl earned a B.A. in Theatre Arts from The University of Toledo, Ohio, a M.A. in Speech, Communication and Performing Arts from Northeastern Illinois University, and is a MFA candidate at New York University School of the Arts.



*Raymond Wohl*

**PENSIONER TRUSTEE ELECTION**



*Walter E. Pilditch*

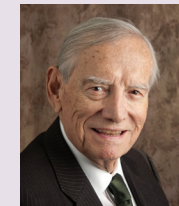
Walter E. Pilditch, Mary Sharon Reilly, and James F. Ward were re-elected to represent pensioners. The election was conducted by mail ballot and final results were certified on November 9, 2011. Pilditch, Reilly, and Ward will serve two-year terms from November 2011 to November 2013.

Pilditch served the board as a principal/administrator trustee from November 1995 to November 2001 and as a pensioner trustee from 2004 to the present.



*Mary Sharon Reilly*

Reilly served the board as a teacher trustee from 1991 to 2002 and as a pensioner trustee from November 2007 to the present.



*James F. Ward*

Ward has served the board as a pensioner trustee from 1997 until the present.

**BOARD OF EDUCATION REAPPOINTMENT**



The Chicago Board of Education has reappointed Rodrigo A. Sierra to serve as a CTPF trustee from November 2011 to November 2013. Sierra joined the board in July 2011.

**2011-2012 CTPF BOARD OF TRUSTEES**

During the November 17, 2011, meeting, the CTPF Board of Trustees elected officers.

**2011-2012 Executive Board President**

Jay C. Rehak

**Vice President**

Lois W. Ashford

**Financial Secretary**

Tina Padilla

**Recording Secretary**

James F. Ward

**2011-2012 Board of Trustees Representing the Contributors**

Lois W. Ashford

Jeffery Blackwell

Jeanne Marie Freed

Tina Padilla

Jay C. Rehak

Raymond Wohl

**Representing the Principals/ Administrators**

Chris N. Kotis

**Representing the Pensioners**

Walter E. Pilditch

Mary Sharon Reilly

James F. Ward

**Representing the Board of Education**

Rodrigo A. Sierra

Andrea L. Zopp

## NEWS BRIEFS

### PENSIONS FINALIZED

This fall CTPF finalized more than 3,400 pensions, some dating back to 2008. The process will continue and CTPF will finalize pensions as data becomes available from CPS.

### 2010 CAFR AND 2010-2011 MEETING MINUTES AVAILABLE

Copies of the *2010 Comprehensive Annual Financial Report (CAFR)* and the indexed version of the *2010-2011 CTPF Board of Trustees Meeting Minutes* were posted online and distributed to all schools on CD-ROM in October. The CAFR details important financial, statistical, investment, and actuarial information about the fund. The indexed minutes document the business of the fund for the 2011 fiscal year. Find copies at [www.ctpf.org](http://www.ctpf.org).

### HEALTH INSURANCE REMINDER

Health insurance plan changes made during Open Enrollment become effective on January 1, 2012. If you have changed plans, remember to bring your new health insurance card to your first appointment in 2012. Medicare enrollees see important prescription plan information on page 6.



### DIRECT DEPOSIT

The best way to ensure that you receive your pension payment in a timely way is to register for direct deposit. Direct deposit funds are normally available on their posting date. Utilizing direct deposit can help eliminate issues associated with mail delivery. Snowbirds benefit from direct deposit because CTPF does not forward benefit checks. Find direct deposit enrollment forms at [www.ctpf.org](http://www.ctpf.org).



## LEGISLATIVE UPDATE

The Chicago Teachers' Pension Fund is governed by Illinois law. Changes to the governance of the fund begin in Springfield. CTPF encourages all members to take an active role contacting legislators and advocating for the fund.

### *Illinois HB 3827 Fails to Progress*

Illinois House Bill 3827 which proposed a new structure for the Chicago Teachers' Pension Fund Board of Trustees failed to progress in the Illinois House of Representatives during the fall veto session. The bill would have eliminated the current 12-member Board of Trustees, replacing it with a 7-member, appointed board.

### *Illinois Senate Bill 512 Stalled in Fall Veto Session*

Illinois Senate Bill 512 which proposed major changes to pensions for current employees passed out of committee during the fall veto session, but was not called for a vote on the floor. Legislators are again expected to take up pension "reform" during the spring session.

### *Share Your Voice*

Advocating for pension funding has become an important responsibility for CTPF members. The most effective way to communicate with your legislator is through a face-to-face meeting. All lawmakers have local offices and most have office hours or open visiting hours and winter break is a good time to visit. Find additional links to legislators and talking points at [www.ctpf.org](http://www.ctpf.org).

## SNOWBIRD ALERT

If you are lucky enough to head south for winter, remember that CTPF does not forward benefit checks. File a temporary address change with CTPF and consider registering for direct deposit before you leave. Change of address and direct deposit authorization forms are available at [www.ctpf.org](http://www.ctpf.org) or call 312.641.4464.

# NEW PHARMACY PROVIDER FOR CTPF MEDICARE

*January 1, 2012, MEDCO will provide prescription benefits for most CTPF MEDICARE plans.*

## WHO WILL THIS IMPACT?

This change impacts CTPF retirees enrolled in the following Medicare plans:

- BCBS Supplement to Medicare
- BCBS HMO Illinois (Medicare)
- AARP Medicare Plan F (UnitedHealthcare)

If you participate in the Humana Group Medicare HMO, this change does not affect you. Your coverage will continue through Humana.

## WHAT DOES THIS MEAN?

Beginning January 1, 2012, your prescription benefits and mail-order prescription benefits will be provided by the Medco Medicare Prescription Plan (PDP). This change does not impact your medical benefits, only your prescription provider.

Medco manages prescription benefits for hundreds of America's largest companies. The Centers for Medicare & Medicaid Services (CMS) have awarded the Medco Medicare Prescription Plan (PDP) 4 out of 5 stars for quality and service.

## HOW MUCH WILL PRESCRIPTIONS COST?

The new Medco plan is an enhanced prescription plan that will continue to cover the same drugs your current BCBS or UnitedHealthcare plan covers, including prescription drugs not normally covered by Medicare Part D plans.

Prescription copays up to a 31-day retail supply are:

- \$5 generic
- \$30 preferred brand
- \$45 non-preferred brand

Copays for a 90-day supply at retail or mail order are:

- \$10 generic
- \$60 preferred brand
- \$90 non-preferred brand

Although standard Medicare Part D plans may include a coverage gap (doughnut hole), the Medco enhanced plan offers continued coverage through the coverage gap (copays apply).

You can find specific information about the cost of drugs and coverage on the CTPF MEDCO website, [www.medco.com/medd/ctpf](http://www.medco.com/medd/ctpf). If you logon to the website you can enter your prescription drug information and generate an estimate of your yearly pharmacy expenses.



## WHAT DO I HAVE TO DO?

Participants in these plans will automatically be enrolled in the new Medco Medicare Prescription Plan (PDP) beginning

January 1, 2012. Medco has mailed welcome kits to enrollees. Kits include a prescription drug card, formulary, and mail service order form. If you have not yet received a welcome kit, contact Medco Customer Service (see information at right).

Show your pharmacy provider your new Medco ID card the first time you fill a prescription in 2012.

## PRIOR AUTHORIZATION

Enrollees taking prescription drugs that require prior authorization will need to obtain new prior authorization approval from their physicians. Ask your pharmacist to help you initiate this process.

## MAIL ORDER USERS

MEDCO will also be the mail order pharmacy service. MEDCO will attempt to automatically transfer any remaining mail order prescription refills from Prime Therapeutics and UnitedHealthcare.

You can contact MEDCO Customer Service after January 1, 2012, to make sure your prescription refills have been transferred.



## ADDITIONAL INFORMATION

If you have coverage questions or need assistance, call Medco at 1-800-864-1416 or 1-800-716-3231 TTY/TDD (24 hours a day, 7 days a week), or visit the dedicated website [www.medco.com/medd/ctpf](http://www.medco.com/medd/ctpf).

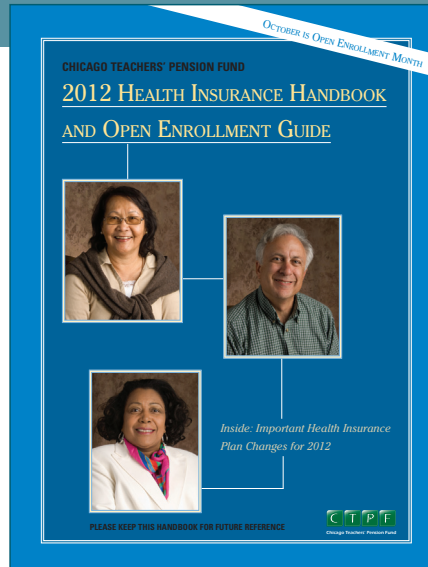
## PHARMACY: BUY MORE SAVE MORE

When it comes to saving money on prescriptions, savings often come through larger purchases.

One of the easiest ways to save money is to ask your doctor for a 90-day prescription for your maintenance drugs. Maintenance drugs are those you take regularly for an ongoing condition, such as diabetes, high cholesterol, high blood pressure, or asthma.

“The process is simple – ask your doctor for a three-month prescription with refills,” explained Mary Cavallaro, health benefits manager. “We have worked with all of our health plans to offer a discount when you fill a 90-day supply of your maintenance drug prescriptions. You can fill your prescription through a mail-order pharmacy or in some cases, through your local retail pharmacy.”

Check the CTPF enrollment guide to see what type of 90-day supply options are available through your plan. If you are interested in mail order, contact your health plan administrator for the necessary forms.



*Check the CTPF 2012 Health Insurance Handbook and Open Enrollment Guide to see what type of 90-day prescription supply options are available through your prescription benefit plan.*



## CTPF CALENDAR

*CTPF Board of Trustees meetings, held in the CTPF office, are open to the public.*

### DECEMBER

- 26 Christmas holiday observed, office closed

### JANUARY

- 02 New Year's Day holiday observed, office closed
- 16 Martin Luther King Jr., birthday observed, office closed
- 19 9:30 a.m., trustee meeting

### FEBRUARY

- 16 9:30 a.m., trustee meeting
- 20 Presidents day holiday observed, office closed

### MARCH

- 05 Casimir Pulaski Day observed, office closed
- 15 9:30 a.m., trustee meeting

### APRIL

- 12 9:30 a.m., trustee meeting

### MAY

- 17 9:30 a.m., trustee meeting
- 28 Memorial Day observed, office closed

### OFFICE/MAILING ADDRESS

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Office hours: 8:00 a.m. – 5:00 p.m. M-F



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**CTPF BOARD OF TRUSTEES' MISSION STATEMENT**

*To provide, protect, and enhance the present and future economic well being of members, pensioners and beneficiaries through efficient and effective management of benefit programs, investment practices and customer service, and to commit to earning and keeping the respect and trust of the participants through quality service and by protecting retirement benefits, in compliance with applicable laws and standards.*

**BOARD OF TRUSTEES**

- Jay C. Rehak, *president*
- Lois W. Ashford, *vice president*
- Tina Padilla, *financial secretary*
- James F. Ward, *recording secretary*
- Jeffery Blackwell
- Jeanne Marie Freed
- Chris N. Kotis
- Walter E. Pilditch
- Mary Sharon Reilly
- Rodrigo A. Sierra
- Raymond Wohl
- Andrea Zopp
- Kevin B. Huber, *executive director*



**CONNECT WITH CTPF**

*Are you a Facebook fanatic?  
Do you Tweet without missing a beat?*

Take advantage of CTPF's social media presence to stay informed and up-to-date on important fund information.

Last January, at the direction of the CTPF Board of Trustees Communications Committee, CTPF began a major effort to expand and enhance

communications with members focusing on electronic communications.

Since January 2011, CTPF has initiated several programs which have increased E-mail registrations more than 300%, developed a monthly electronic newsletter, initiated an E-Lert for time-sensitive information, and delivered a new webinar for open enrollment information.

"We see Facebook and Twitter as another way to reach out to our membership," remarked Frances Radencic, director, Member and Office Services. "We want to be able to contact our members with important information and social media allows us to do that."

Stay informed and up-to-date on current events by utilizing our electronic communications. Visit our electronic information page at [www.ctpf.org](http://www.ctpf.org) and find an easy way to "like us" on Facebook.