



Chicago Teachers' Pension Fund

TRUST. INTEGRITY. STABILITY.

PENSION NEWS

SPRING/SUMMER 2012 FOR RETIREES

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SPRING INTO ACTION WITH CTPF

This past winter, the CTPF Board of Trustees led by the Pension Law and Rules Committee launched a program designed to educate and inform CTPF stakeholders and to encourage advocacy and action to support CTPF's legislative agenda.

CTPF operates as an independent fund governed by Illinois law and directed by a 12-member board of trustees. Changes to the governance of the fund begin in Springfield. Facing difficult budget issues, legislators in Springfield have repeatedly called for "pension reform," without offering solutions that guarantee funding for CTPF pensions. The CTPF Pension Law and Rules Committee has initiated meetings designed to bring stakeholders together to build consensus, develop educational materials that clarify the facts about CTPF pensions, and promote legislation that will benefit CTPF's 60,000 active and retired members. Representatives from the Chicago Principals and Administrators Association (CPAA), the Retired Teachers Association of Chicago (RTAC), and the Chicago Teachers Union (CTU) have attended the meetings. Lobbyists representing CPAA, RTAC, and CTPF are working together to help promote CTPF's legislative agenda in Springfield.



MEMBER ADVOCACY AND ACTION

CTPF has developed a series of publications which can be used to educate legislators about CTPF pensions and priorities. Members can find summaries of these documents on pages 4 – 6 of this newsletter or visit the CTPF member education and advocacy page at www.ctpf.org to download printable versions.

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EXECUTIVE DIRECTOR'S LETTER



Kevin B. Huber, executive director

The work that I do for our fund has a lot to do with trying to replace rhetoric with reality – and some data released recently should make my job easier.

Pensionomics 2012, a comprehensive study issued by the National Institute on Retirement Security, details the impact pensions have on our national economy and every state in our nation.

The information provided in the report may surprise you. Nationally,

19 million Americans received \$426 billion dollars in pension benefits in 2009. These benefits supported 6.5 million jobs and more than \$1 trillion in total economic output. A trillion is hard to visualize, but according to the International Monetary Fund, nearly 70% of the world's countries produced less than a trillion dollars in goods and services in 2010.

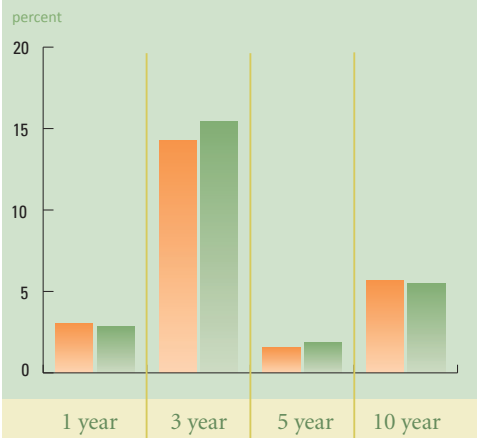
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CTPF FINANCIAL SNAPSHOT

CTPF RETURN ON INVESTMENTS

January 31, 2012

	RATE OF RETURN	TOTAL FUND BENCHMARKS
1 year	3.05%	2.82%
3 year	14.29%	15.46%
5 year	1.56%	1.88%
10 year	5.65%	5.50%



■ RATE OF RETURN
■ TOTAL FUND BENCHMARKS

As of January 31, 2012, the approximate current value of CTPF's investments was \$9.2 billion.



Pensions also have a dramatic impact on the State of Illinois. More than 400,000 Illinois residents (or about 25% of our citizens over age 65) received a total of \$11 billion in pension benefits from state and local plans in 2009. More importantly, the study also found that each \$1 in state and local pension benefits paid to Illinois residents generated \$1.72 in total economic output for Illinois. The report also explains that pensions deliver the same level of retirement benefits at nearly half the cost of a defined contribution [401(k)] plan.

The study can help us understand the real impact that CTPF pensions have in Illinois. Last year, CTPF paid a record setting \$1.1 billion in benefit payments. Using the multiplier, we find that our pensioners generated about \$1.8 billion in economic activity. Those dollars are important because with a guaranteed income, our retirees can continue to spend even during uncertain economic times. Retirees with 401(k) type plans may pull back on spending when uncertainty strikes during a recession or market decline.

If you listen to the rhetoric from Springfield, you might wonder if we can really afford pensions. The truth is that not only can we afford pensions, we **must** support pensions for the benefits they provide our economy as a whole and the security they provide for our seniors.

The true expenses associated with pensions come not in the cost to deliver services, but from the cost of neglect. Years of underfunding by our primary employer (including a 10-year pension holiday and additional pension relief in 2010), have cost our fund more than \$3.2 billion dollars.

Lost revenue combined with a dramatic shift in our demographics, have led to a sharp decline in our funded

ratio, which now hovers around 60%. We currently support 40% more retirees with 20% fewer active members, than we did just 10 years ago. Last year the fund took in about 2.5 billion in revenue – and you might be surprised to hear that about 91% came from investment returns and employee contributions. The primary employer, CPS, accounted for 6.5% and the State of Illinois 1.7%. It seems to me that the employer and state need to do more.

So we hear the rhetoric of reform, but the reality is that we must fight for guaranteed funding and hold employers accountable to our members. Our trustees recognize the importance of clearly communicating our priorities to legislators who pass the laws that govern our system, and the taxpayers who must fund mandates.

The CTPF Board of Trustees approved a set of five legislative priorities during their February meeting. These bills would bolster fund revenues and ensure fair funding for CTPF pensions and health insurance. Our Pension Law and Rules committee has redoubled its efforts to lobby legislators in Springfield in support of these bills, and we encourage you to do the same. You'll find information for member education and advocacy, on pages 4-6 of this newsletter. You can find other ways to get involved on the Member Advocacy and Education page of our website.

The rhetoric about pensions sometimes obscures the reality for our members. Pensions have provided modest and stable retirements for educators for more than 116 years, generating great economic benefit to our state along the way. With your help, they will continue to do so.

Kevin B. Huber, executive director

2012 TRUSTEE ELECTIONS

CTPF is governed by a 12-member board of trustees who hold fiduciary responsibility for the fund. Six Teacher Trustees represent active contributors, serving staggered three-year terms. Three Pensioner Trustees represent annuitants and serve concurrent two-year terms. One Trustee serves a three-year term representing principals and school administrators. The Chicago Board of Education appoints two Trustees who serve two-year terms.

This fall, the fund will hold elections for two Teacher trustees. The fall election date will be confirmed once the 2012-2013 CPS calendar is finalized. The election date will be published at www.ctpf.org, reported on Facebook and Twitter, included in monthly E-mail

updates as published in the fall issue of *Pension News*.

The next Pensioner Trustee election will be held in 2013.

Additional election information is available in the *Election Policies and Procedures Handbook*, at www.ctpf.org. Election questions may be directed to the CTPF Election Team at 312.604.1400 ext. 132 or 169.



HEALTH INSURANCE PREMIUM SUBSIDY DEADLINE

September 30, 2012, Deadline for 2011 Health Insurance Premium Subsidy (Rebate) Applications

Retirees currently enrolled in CTPF-sponsored health plans, automatically receive any available health insurance premium subsidy in their monthly pension check.

Retirees who do not participate in a CTPF-sponsored health insurance plan may apply for a subsidy for their health insurance premium. The subsidy is available to CTPF retirees whose final teaching service was with the Chicago Public or Charter School System or their eligible survivors. The subsidy for the current period is 60%, and is subject

to a maximum reimbursement amount published each fiscal year.

In calculating the allowable premium subsidy, CTPF offsets any amount of a retiree's premium cost that has already been subsidized by another entity (for example, a spouse plan).

The subsidy does not cover the cost of dependent coverage or any other type of insurance coverage such as dental, vision, or long-term care. Applications for the period January 1 -December 31, 2011, will be mailed to members enrolled in non-CTPF health insurance plans in April. Retirees should complete the subsidy application and return it to CTPF by September 30, 2012.

If you have questions about the subsidy, call Member Services at 312.641.4464.

NEWS BRIEFS

CTPF TRUSTEES ENCOURAGE VETERAN HIRING



During their March 15, 2012, meeting the CTPF Board of Trustees encouraged its investment managers to hire qualified returning veterans when possible. The Fund continues to be committed to diversity in its investments. As of June 30, 2011, approximately 31% (\$3.1 billion) of the Fund's assets were managed by qualified minority or female owned investment managers. Additionally, the Fund directed more than \$2 million in commissions to qualified minority and women brokers.

EXECUTIVE DIRECTOR ATTENDS GOVERNOR'S FORUM

CTPF Executive Director, Kevin B. Huber, attended a meeting of all state public pension fund directors, at the invitation of Governor Pat Quinn. The two-day meeting was held at the Governor's mansion January 17-18, 2012.

The meeting was designed to give the governor and his staff an overview of the health of pensions in Illinois from the perspective of fund directors. "It was really a brainstorming session,"



explained Huber. "We had a great opportunity to identify problems with the current system, to suggest new ideas, and to hear ideas from others."





The Pension Law and Rules committee has developed this information to educate members about CTPF and its legislative priorities. Members can find downloadable files, additional information, and a link to locate your Illinois legislators in the Member Education and Advocacy section of www.ctpf.org. CTPF encourages all members to learn about the fund and to share this information with legislators.

FIVE FACTS ABOUT CTPF AND YOUR PENSION

Pensions matter. They provide secure and stable retirements for teachers, administrators, and public school personnel, yet their very existence has come under attack. CTPF shares five important facts about your pension.

1. CTPF members do not contribute to or receive Social Security benefits.

A pension is the primary source of CTPF members' retirement security. The normal Social Security contribution is 6%, but CTPF members contribute 9% of their earnings to fund their retirement pensions. Benefits earned over a lifetime of service are deferred compensation, guaranteed by Illinois law. The average annual CTPF benefit in 2011 was \$41,584.

2. Pensions create a positive impact on Illinois' economy.

A 2012 study by the National Institute on Retirement Security found that in the State of Illinois, each \$1 paid out in pension benefits supported \$1.72 in economic activity. This means CTPF pensions supported \$1.8 billion in economic output for Illinois last year.

3. Funding problems, 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 May 1995, CPS sought and received a change in the law which allowed it to keep pension tax revenue. From 1995

to 2005, CPS made no contributions to the pension fund. This costly measure redirected more than \$2 billion in funds designated for pensions into the CPS operating budget. CPS was forgiven an additional \$1.2 billion dollars in funding relief from the Illinois legislature in 2010.

4. The State of Illinois provides minimal CTPF funding.

State support for CTPF has fallen in recent years. CTPF received **\$32.5 million** in 2011, while the Teachers' Retirement System (TRS) received more than **\$2.5 billion**. Chicago's taxpayers bear a double burden, funding TRS and CTPF, without equal benefit.

5. 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 the subsidy is limited by law to \$65 million per year. CTPF was recently forced to cut benefits to retirees and the amount will continue to decline unless the cap is raised.

TAKE ACTION NOW TO

You can share your views with your elected officials using letters, e-mail, phone and fax. One of the most effective ways, however, is in a face-to-face meeting. Most legislators hold

Find more CTPF facts on page 6.



CTPF SETS 2012 LEGISLATIVE PRIORITIES

The CTPF Board of Trustees set the following legislative agenda during their February 2012 meetings. The CTPF Board of Trustees Pension Law and Rules Committee has begun round-table discussions with the Retired Teachers Association of Chicago, the Chicago Principals and Administrators Association, and the Chicago Teachers Union to develop support for these measures in Springfield. See the information below for more ways you can help support this legislation.

1. Eliminate the employer's practice of offsetting State of Illinois contributions.

Summary: Beginning in 2013, any state contribution received by CTPF will be in addition to CPS contributions.

- **HB 5334** sponsored by Reps. Marlow H. Colvin (D) and Thaddeus Jones (D)
- **SB 3632** sponsored by Senator Kwame Raoul (D)

Why we need these bills: Under current practice, contributions to CTPF from the CPS Board of Education are reduced by any amount CTPF receives from the State of Illinois. These bills eliminate the offset which would increase total fund revenues.

2. Increase State of Illinois contributions to CTPF.

Summary: Starting in 2013, the State would be required to make an annual CTPF contribution equal to 10% of the State contribution to the Teachers' Retirement System.

- **HB 5232** sponsored by Reps. Monique D. Davis (D) and Thaddeus Jones (D)
- **SB 3628** sponsored by Senators Kwame Raoul (D) and Iris Y. Martinez (D)

Why we need these bills: In 1995, the State of Illinois agreed in principle to fund CTPF at an amount equal to 20-30% of the amount it awards to the Teachers' Retirement System. This funding failed to materialize. These bills ask the State of Illinois to fulfill its promise to help fund pensions for Chicago's teachers.

3. Increase Fiscal Year 2013 CPS contributions to CTPF.

Summary: Increases the 2013 CPS contribution to CTPF from \$196 million to \$307 million – the same amount CPS contributed to CTPF in 2010.

- **HB 5333** sponsored by Reps. Marlow H. Colvin (D) and Thaddeus Jones (D)
- **SB 3742** sponsored by Senators Kwame Raoul (D) and Iris Y. Martinez (D)

Why we need these bills: In 2010, CPS paid \$307 million to CTPF, and the amount was scheduled to increase in future years. CPS asked for and received pension "relief" in 2010, which reduced the CPS obligation for 2011-13. When the relief measure expires in 2014, CPS will be required to pay CTPF more than \$557 million. These bills reset the 2013 CPS payment to the 2010 level, in order to prepare for larger future payments.

4. Provide an annual adjustment to the retiree healthcare spending cap.

Summary: Changes the structure of the health insurance spending cap from a flat amount to an amount that adjusts

annually. The adjustment would be based on the average of the consumer price medical care services and commodities indexes.

- **HB 5520** sponsored by Representative Daniel J. Burke (D)
- **SB 3598** sponsored by Senator Iris Y. Martinez (D)

Why we need these bills: The amount that CTPF can spend to subsidize retiree health insurance premiums is currently limited to \$65 million per year. The spending cap was set in 2004, and since that time the number of retirees and the cost of care have nearly doubled. The cap needs to be raised so CTPF can continue to help retirees cope with rising health insurance costs.

5. Redefine the re-employment provision for retirees.

Summary: Outlines the return to work rules for members who seek CPS re-employment.

- **HB 5744** sponsored by Representative Robert Rita (D)
- **SB 3597** sponsored by Senator Iris Y. Martinez (D)

Why we need these bills: If a retiree wants to return to CPS employment and maintain a pension, there are certain restrictions which must be met. These bills establish the limits of CPS re-employment, and outline the steps a retiree must take to become re-employed without forfeiting pension benefits.

SUPPORT YOUR PENSION

local office hours when the return from Springfield. You can find materials to support your visit on the Education and Advocacy page at www.ctpf.org.

RETIRED AND TURNING 65 IN 2012?

Continued from page 4

MORE FACTS ABOUT CTPF

30,133 ACTIVE MEMBERS CONTRIBUTE TO THE FUND

- 76% of members are women.
- The average annual salary in 2011 was \$69,364.
- Active members contribute 9% of their salary to the pension fund every pay period.

25,199 BENEFICIARIES RECEIVE CTPF PENSIONS

21,977	Retiree Pensions
465	Disability Pensions
2,757	Survivor Pensions

- CTPF paid more than \$1 billion in pension benefits in 2011, and the average benefit was \$41,584.
- During the past 10 years, the number of retirees has increased about 41%.
- More than 70% of CTPF retirees are between the ages of 60 and 79. The most senior member retired in 1968 and reached age 108 in 2011.

HEALTH INSURANCE

- CTPF offers comprehensive group health insurance coverage for eligible retired members.
- CTPF subsidizes the cost of retiree health insurance. The subsidy dropped to 60% from 70% on January 1, 2011.
- The fund paid \$78.9 million in health insurance subsidies in 2011.

FUNDED RATIO

- CTPF's funded ratio, a measure of the fund's financial health, fell to 59.7% as of June 30, 2011. The ratio was nearly 100% in 2005 and has declined steadily since that time.

If you're turning 65 in 2012, it's time to think about Medicare. Medicare is the federal health insurance program for individuals who reach age 65 or have certain illnesses or disabilities.

CTPF HEALTH INSURANCE PLANS

If you or a dependent currently participate in a CTPF non-Medicare health insurance plan, coverage will end the month of your 65th birthday. If you plan to continue coverage with CTPF, you'll need to enroll in a CTPF Medicare Plan which supplements Medicare A and B and provides comprehensive Medicare Part D coverage. You can review CTPF plans, compare costs, and find an enrollment form for most plans in the *CTPF Health Insurance Handbook* at www.ctpf.org.

APPLY FOR MEDICARE

Apply for Medicare three months before the month you turn 65. You can apply online at www.medicare.gov, visit a local social security office, or attend a CTPF birthday party (see below).

ENROLLING IN A CTPF PLAN

If you plan to join a CTPF health insurance plan for Medicare-eligible members, you will need to submit an enrollment form along with proof of Medicare Part A and B eligibility. Make sure you avoid interruptions in coverage by submitting your application and proof **before the month you or your dependent turn 65**. Acceptable proof includes a copy of your Medicare Card or an entitlement letter from the Social Security Administration, with effective dates.

MORE INFORMATION

You can find more information about Medicare and an enrollment form for most CTPF plans in the *CTPF Health Insurance Handbook* at www.ctpf.org or call Member Services at 312.641.4464.

TURNING 65? CELEBRATE WITH CTPF

CTPF has launched a series of "birthday parties" for members turning age 65.

"Turning 65 is an important milestone for our members because they become eligible for Medicare," explained Mary Cavallaro, health benefits manager. "During our 'birthday parties' retirees can take all the necessary steps to ensure their health insurance coverage continues without interruption, including enrolling in Medicare. And of course, no birthday party is complete without birthday treats, goodie bags, and a chance to win prizes!"

During the birthday event, attendees may:

- Enroll in Medicare
- Learn about CTPF health plan options for Medicare eligible members
- Speak with representatives from the Social Security Administration and CTPF health insurance providers
- Receive assistance completing health insurance forms

Seminars are held quarterly by invitation. If you're turning 65 this year, watch your mail for more information.



2012-2013 PENSION PAYMENT SCHEDULE

The schedule for mailing checks/direct deposit advices and the date for posting direct deposits is listed below. Please use this as a guide for budgeting.

Month	Check Mailing Date	Direct Deposit Date
July 2012	June 28, 2012	July 2, 2012
August 2012	July 30, 2012	August 1, 2012
September 2012	August 30, 2012	September 4, 2012
October 2012	September 27, 2012	October 1, 2012
November 2012	October 30, 2012	November 1, 2012
December 2012	November 29, 2012	December 3, 2012
January 2013	December 28, 2012	January 2, 2013
February 2013	January 30, 2013	February 1, 2013
March 2013	February 27, 2013	March 1, 2013
April 2013	March 28, 2013	April 1, 2013
May 2013	April 29, 2013	May 1, 2013
June 2013	May 30, 2013	June 3, 2013

DIRECT DEPOSIT

Most members receive their payments through direct deposit. Direct deposit funds are normally available on their posting date. If you currently receive paper checks and want to switch to direct deposit, contact Member Services or visit www.ctpf.org and download CTPF Form 425.



PLANNING TO VISIT? PLAN AHEAD

SPECIAL NOTICE: ADDITIONAL BUILDING SECURITY MAY 14-22

CTPF will hold normal office hours May 14-22, 2012, when the NATO summit convenes in Chicago. CTPF's building management company has instituted additional security measures for this time period. All visitors will need to register with CTPF in advance and will be asked to present identification before being admitted to the 26th floor. Walk-in counseling will not be available during this time due to the additional security.



MAY 17, 2012, BOARD OF TRUSTEES MEETING

CTPF will hold a public Board of Trustees Meeting on May 17. Individuals who plan to attend must call Member Services (312.641.4464) in advance and ask to be placed on the attendance list. Visitors will be asked to present identification before being admitted to the building.

CTPF CALENDAR

CTPF Board of Trustees meetings, held in the CTPF office, are open to the public. Confirm the meeting times and dates at www.ctpf.org.

APRIL

12 9:30 a.m., trustee meeting

MAY

14-22 CTPF office open regular office hours during NATO summit; enhanced security in effect. See page 6.

17 9:30 a.m., trustee meeting; enhanced security in effect. See page 6.

28 Memorial Day observed, office closed

JUNE

21 9:30 a.m., Trustee meeting

JULY

4 Independence Day, office closed

19 9:30 a.m., Trustee meeting

AUGUST

16 9:30 a.m., Trustee meeting

SEPTEMBER

3 Labor Day, office closed

20 9:30 a.m., Trustee meeting

OCTOBER

8 Columbus Day, office closed

18 9:30 a.m., Trustee meeting

NOVEMBER

20 9:30 a.m., Trustee meeting

22-23 Thanksgiving holiday, office closed

OFFICE/MAILING ADDRESS

Chicago Teachers' Pension Fund
203 North LaSalle Street, suite 2600
Chicago, Illinois 60601-1231

312.641.4464 p. 312.641.7185 f.

www.ctpf.org

memberservices@ctpf.org

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



Chicago Teachers' Pension Fund

203 North LaSalle Street, suite 2600

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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.

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