

WE MUST NOT REPEAT MISTAKES OF THE PAST...

A History Lesson from Chicago's Educators

- 1996-2005** Pension "holiday" takes \$2 billion in funds earmarked for pensions and redirects them to the Chicago Public Schools (CPS) operating budget. CPS promises to pay the Chicago Teachers' Pension Fund (CTPF) when the funded ratio falls below 90%. The State of Illinois agrees to contribute 20-30% of the contribution made to downstate/suburban teachers pensions (TRS).
- 2006** CTPF's funded ratio falls, and CPS begins making payments to the pension fund for the first time in a decade.
- 2010** PA 96-0889 gives \$1.2 billion in pension "relief" to CPS and extends the pension funding schedule by 14 years to 2059.
- 2011-2013** CPS makes required payments to CTPF at the reduced amount (about \$200 million per year instead of the required \$600 million).
- 2012** CTPF funded ratio drops to 53.9%. CTPF must liquidate \$60-80 million in assets each month to make pension payments.
- 2013** CPS owes the pension fund more than \$600 million in 2014. CPS requests additional "relief" with SB 1920 House Amendment #2. The measure was defeated.
- 2014** CPS makes a \$601 million pension payment to CTPF.
- 2015** CPS makes a \$634 million payment for 2015, and requests a payment deferral for 2016 and 2017. Discussions end without an agreement.
- 2016** CPS makes a \$676 million payment to CTPF on June 30, 2016. SB 318 passes the Illinois legislature, reestablishing CTPF's pension tax levy at a rate of 0.383%.
The State of Illinois contribution to CTPF drops to \$12.1 million. TRS receives \$3.7 billion.
- 2017** CPS must make a \$733 million payment to CTPF by June 30, 2017. PA 99-0521 (SB 318) becomes effective June 1, 2017, and will generate approximately \$250 million payable to CTPF in Fiscal Year 2018.

A History of "Relief" for the Employer

March 24, 2010, following a 15-year period in which CPS failed to make adequate pension contributions, the Illinois General Assembly passed major public pension legislation that reduced benefits for most future state and local public employees. A measure buried in Public Act 96-0889 also granted the Chicago Board of Education "relief" from their required pension payments for fiscal years 2011-2013, and extended the payment schedule by 14 years. Relief is a nice way of saying that the Illinois legislature allowed CPS to short change their pension obligation by an additional \$1.2 billion, further jeopardizing retirement security for more than 63,000 Chicago educators and retirees.

The CPS payment schedule escalated in 2014. May 31, 2013, CPS asked legislators to pass SB1920 which would have reduced the 2014 and 2015 payments and created a third pension "holiday." The measure was defeated on a vote of 39-78.

CTPF achieved a long-sought goal with the signing of PA 99-0521 in 2016. The legislation reestablishes the pension tax levy at a rate of 0.383% directly payable to CTPF. The levy will generate approximately \$250 million annually, beginning with Fiscal Year 2018.

Learn From Mistakes

We must learn from past mistakes, not repeat them. The pension funding schedule escalated in 2010 primarily because of the 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 decades of underfunding.

Fiscal Responsibility

Retirement promises must be kept. CTPF currently liquidates \$60-80 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.

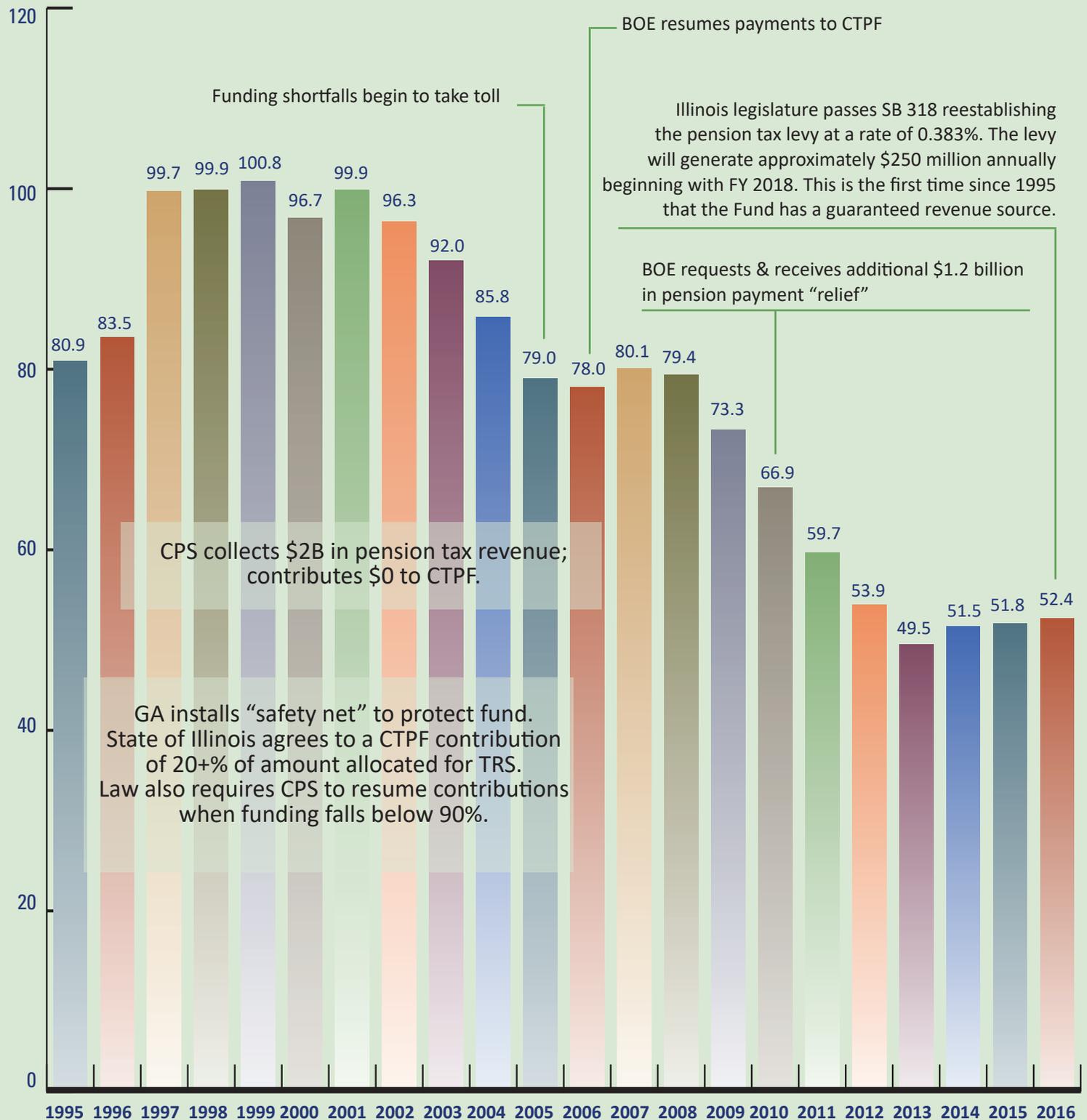
Help Us Write a New Page in Our History

We cannot ignore the lessons of the past. Please hold CPS accountable for their full payment to CTPF, and require the State of Illinois to equitably fund Chicago's teacher pensions.

CTPF FUNDING HISTORY

Pension parity never materializes. State appropriates \$12.1 million for CTPF and \$3.7 billion for TRS in FY 2016

Percent



Prior to 1995 CTPF was funded through City of Chicago tax levy. 1995 legislation redirected tax levy to CPS operating budget.

203 North LaSalle Street, Suite 2600
Chicago, Illinois 60601-1231
www.ctpf.org



Chicago Teachers' Pension Fund