

Pension News

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Issue Highlights

2012 Teacher Trustee Election
Nomination Packets for the 2012 Teacher Trustee Election will be available May 1. **3**

Member Education and Advocacy Initiative
This special section details important information about CTPF and its legislative priorities **4**

Retirement Round Up
Planning to retire in June? A last minute check list for June Retirees **6**

Pension Payment Schedule
Important information about pension payments **7**

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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.

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MEMBER ADVOCACY AND ACTION

A series of publications which can be used to educate legislators about CTPF pensions has been developed. 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.



Continued on page 4

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

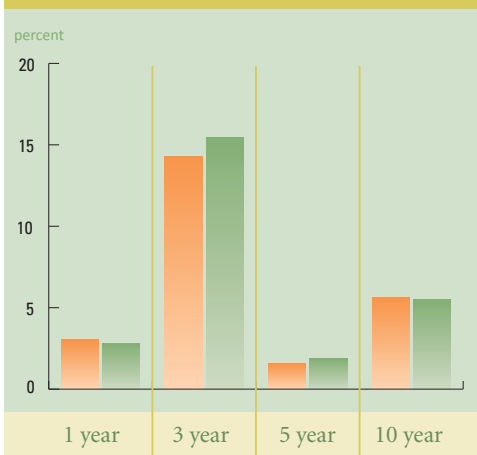
Continued on page 2

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.



Chicago Teachers' Pension Fund

than a trillion dollars in goods and services in 2010.

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 framework of 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.

All the positives about pensions come during a critical debate about pension "reform." 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. Our active members play a vital role in supporting our fund. 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

Each \$1 in state and local pension benefits paid to Illinois residents generated \$1.72 in total economic output for Illinois

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 download additional educational materials, find links to locate your local legislators, and register your E-mail address with us on the new member education and advocacy page of our website.

Our winter and spring retirement seminars attracted record crowds and we look forward to welcoming a new group of June retirees. The rhetoric about pensions sometimes obscures the reality for our members. CTPF pensions have provided educators with modest and stable retirements for more than 116 years, while generating great economic benefit for the State of Illinois. With your help, they will continue to do so.

Kevin B. Huber, executive director

2012 TEACHER TRUSTEE ELECTION

Nomination packets for active members interested in running for a CTPF Teacher Trustee position will be available on May 1, 2012.

Teacher Trustees (contributors other than Principals/Administrators)

Teacher Trustees represent active contributors other than principals or administrators on the CTPF Board of Trustees. Six Teacher Trustees serve staggered, three-year terms.

This fall, teachers and other active contributors will elect two Trustees to serve three-year terms from November 2012 to November 2015. The 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, and included in monthly E-mail updates as well as the fall issue of *Pension News*.

Candidate Eligibility

Candidates for a Teacher Trustee position must hold an Illinois State Teaching Certificate, be current CTPF contributors, and have been assigned on a regular certificate in the Chicago Public or Charter Schools for a minimum of 10 years.

Nomination Packets

Nomination packets will be available on May 1, 2012. Members interested in running

for office should contact the CTPF Election Team at 312.604.1400 ext. 132 or 169 to request a packet. Candidate eligibility will be verified before the packet can be issued. Nominating petitions must be returned by 5:00 p.m., Monday, October 1, 2012.

Additional Information

Additional 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.

NEWS BRIEFS

2012 RETIREMENT SEMINARS ATTRACT RECORD CROWDS

School holidays became work days for more than 1,000 current teachers who spent their time off preparing to retire this



June. The seminars held February 20 at the Renaissance Hotel O'Hare, and March 5 at the Hilton Oak Lawn, offered overviews of the retirement process and assistance to individuals who completed their retirement applications.

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."

ROAD MAP TO RETIREMENT SEMINARS



Thinking of retiring in 2013 or beyond? This summer CTPF will hold several "Road Map to Retirement" planning sessions. These sessions will be held in the CTPF office, and are designed for members considering retirement in the next five years. Seminars will provide an overview of the retirement process and offer insight into important retirement decisions.

Watch your E-mail and our Facebook page for times and dates.

STAY INFORMED REGISTER YOUR E-MAIL ADDRESS TODAY

Keep in touch and stay informed by registering your E-mail address with CTPF. Visit the CTPF electronic information page at www.ctpf.org and register your E-mail address and find an easy link to "like us" on Facebook. CTPF does not sell or share member information.



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 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

CTPF encourages all members to meet with their elected officials and share information about CTPF with them. There are several ways to share your views:

- Call on the phone and leave a message at their home and/or Springfield office.

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 talks 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 Senator 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 Senator 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: These bills change 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: These bills clearly outline the return to work rules for members who seek re-employment in the CPS system.

- **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.

TO SUPPORT YOUR PENSION

- Write to your legislators at their home and/or Springfield office.
- E-mail your legislator – many list E-mail addresses on their contact information.
- Meet in person – most legislators have office hours and the best way to make your point is to meet in person.

ADDITIONAL RESOURCES

Visit the CTPF Member Education and Advocacy page, accessible from www.ctpf.org. This page offers copies of a "leave behind" document and educational information for members. Check back

regularly to find updates on current legislation.

- Make sure you register your E-mail address at www.ctpf.org so we can contact you as issues arise.
- Follow us on Facebook and Twitter.

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 a \$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.



LAST CALL FOR JUNE RETIREES

ACT NOW FOR JUNE RETIREMENT

June is just around the corner. If you're considering retirement this spring, now is the time to take action. Follow these steps:

DOWNLOAD AN APPLICATION

- Visit www.ctpf.org and download the Retirement Application from the Retirement Central page.
- Read and review the forms and collect your required documentation (birth certificate, marriage/civil union license, etc.).

VIEW THE RETIREMENT WEBINAR

- The webinar at www.ctpf.org retirement central walks you through the retirement application and reviews common questions raised by our members.

HEALTH INSURANCE

- Employer-sponsored group health insurance coverage will end at retirement. Choosing a post-retirement health insurance plan for you and your eligible dependents is one of your most important retirement decisions. Now is the time to research your options and to decide on a plan so your coverage continues without interruption.

RESIGN FROM EMPLOYMENT

- Your employer has specific retirement forms which need to be filled out in addition to the CTPF application. CTPF cannot process your retirement benefits until your employer provides confirmation of your resignation.

STAY INFORMED

- If you haven't already done so, sign up for E-mail updates at www.ctpf.org and check the retirement central webpage for additional information.



PLANNING TO VISIT? PLAN AHEAD



SPECIAL NOTICE: ADDITIONAL 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 visitors are strongly discouraged during this time. Members who do walk in may experience additional delays as building management must clear the visit with CTPF office staff.

MAY 17, 2012, BOARD OF TRUSTEES MEETING

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

CONTACT CTPF IN ADVANCE FOR VISITS MAY 14-22

- All members who plan to visit CTPF May 14-22 should call Member Services in advance at 312.641.4464, and ask to be placed on the attendance list.

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 |

2012 RETIREES

Members who plan to retire in June should plan for the “gap period” between their last paycheck and their first pension payment. Most June retirees can expect their first retirement payment deposited in September. The first payment will be retroactive to the retirement date and will include any additional refunds or payouts due from the fund.



DIRECT DEPOSIT

Most members receive their payments through direct deposit. Direct deposit funds are normally available on their posting date. Retirees will receive a direct deposit advice by mail, each January and December, and any time there is a change to the check amount. 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.



CTPF CALENDAR

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

APRIL

12 9:30 a.m., trustee meeting

MAY

14-22 CTPF office open regular office hours during NATO summit, but building management will require enhanced security. See page 6.

17 9:30 a.m., trustee meeting. Building management will require enhanced security. 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

1 5:00 p.m., completed Teacher Trustee election packets due to CTPF

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

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 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



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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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