

Public School Teachers' Pension and Retirement Fund  
of Chicago



## PENSION NEWS

December 1996 Issue

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**September 30, 1996 Financial Report.** As of September 30, 1996 assets in the Fund totaled \$6.9 billion, which increased to a market value of \$7 billion as of November 1996. The Fund's performance rate of return for the twelve month period ended September 30, 1996 was 13.2%, placing the Fund in the top quartile when compared to the Mercer Investment Consulting, Inc. index. Three and five year performance returns were 11.1% and 11.7%, respectively.

In late August the Fund was granted the legal authority to invest in accordance with a prudent person framework. The following are among the diversification opportunities now available for consideration by the Trustees:

- Select and fund additional real estate vehicles to raise the Fund's allocation to real estate to the 5% target allocation level;
- Enhance the Fund's expected fixed income results by providing a subset of the Fund's active core fixed income managers with the authority to invest a portion of the assets in high yield bonds, private placements, and/or international bonds;
- Consider investing a portion of the Fund's assets in alternative asset classes, such as private equity.

**1997 Legislative Proposals.** At a special meeting of the Trustees in October, President Mary Sharon Reilly distributed and reviewed with the Board the previous year's legislative proposals, after which the Board discussed and voted upon proposals for 1997. See the list of proposals that received support from the Trustees on the reverse side of this page.

**Commission Recapture Pilot Program.** At its meeting in October, the Trustees agreed to begin a commission recapture pilot program with the Fund's active domestic core money managers to place trades at a targeted level of 15%, subject to best execution, through Merrill Lynch Citation, one of the Fund's largest brokers. Merrill Lynch will make cash rebates to the Fund, subject to regular review, reporting and audit, which will reduce the overall commission costs to the Fund. The commission recapture rate of the Fund will be 62.5% during the pilot program.

**New Pension Board Members.** Congratulations are extended to three Chicago Teachers Union leaders that have recently been declared elected to the pension fund this past month. *Shirley Anderson*, a counselor at Linne Elementary, was successful in her re-election bid. During her tenure, the Trustees have improved health care benefits through their innovative management of the health insurance contracts. *Nathaniel Dickson*, a delegate from Dunbar Vocational High

School, has filled the position previously held by Michael Williams from 1993 to 1996. He plans to study the various pension issues and make informed pension and investment decisions. *Patricia Knazze*, teacher librarian from Hendricks Academy, believes in having a voice in how pension monies are invested in order to maximize the value of the fund. She fills the teacher-trustee position vacated by Barbara Caldwell, a longtime trustee from 1989 to 1996 and the Fund's former president. Appreciation is extended to Mr. Williams and Mrs. Caldwell for their distinguished service and dedication as trustees of the Fund.

**Health Insurance Rebates.** Health insurance rebate checks will be in the mail just in time for the holidays. The rebate percentage for this year is eighty percent (80%). While the percentage is lower this year due to the increased number of pensioners in the rebate program and the statutory limitation of the dollars devoted to the rebate each year, it remains higher than most. The Trustees are also pleased to continue to offer quality health care programs such as the Blue Cross Blue Shield PPO to our pensioners at competitive prices.

**Resolution on Pensioner/Substitute Pay Limits.** Illinois Statutes provide that pensioner/substitutes may earn no more than 75 days' compensation per school year without suspension of pension, and that said rates may prevail for varying lengths and varying daily periods.

The Board of Trustees recently ruled that the maximum that can be earned by a substitute each year without pension cancellation shall be \$8,883.00.

**Direct Deposit of Your Pension Means Guaranteed Money in the Bank!** If you have not already notified the Pension Fund about setting up *direct deposit* of your monthly pension, please do so now! With direct deposit, your pension is credited to your account on or before the first of every month! No lost checks. No waiting for mail. No worry. Simply call the Pension Office to begin.

Beginning January 1, 1997, all *new* service and survivor pensioners will be strongly encouraged to establish direct deposit for their new pensions.

**Help Us Help You!** When telephoning or writing the pension office please be sure to include your social security number, full name, maiden name (if applicable), address, telephone number, and favorable time when you can be reached.

**Pension Speaker at Your School.** The Trustees will send a speaker to your school upon request. An introductory video tape is available as well. Telephone the pension office at (312) 641-4464, extension 251.

### Board of Trustees

Shirley Anderson Norman R. Bobins Judy Cheris Nathaniel Dickson Patricia Knazze Robert Konen Arthur Lehne  
John F. O'Brill Walter Pilditch Mary Sharon Reilly Gene R. Saffold Jack Silver

Executive Director: James F. Ward  
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## 1997 Legislative Proposals

1. Change the retirement annuity formula to 2.2% of final average salary for each year of service.
2. Provide for 50-year amortization of the unfunded liability through State of Illinois appropriations in the same fashion as recent legislation enacted for the State Teachers' Retirement System.
3. Ad hoc increase for pensioners.
4. Increase the rate of automatic increase in annuity from 3% to 4% per year.
5. Change the number of years used in the calculation of average salary for pension purposes from 4 years to 3 years.
6. Reduce the number of years required for early retirement without discount from 35 years to 30 years.
7. Provide for a "5&5" early retirement incentive program for next year.
8. Extend the "early retirement without discount" option past 1995.
9. Provide one additional year of service credit for those members who retired under the "5&5" early retirement incentive program which was enacted in 1993 under Public Act 88-85.
10. Adjust survivor's pensions that started prior to December 31, 1986 to the 50% minimum.
11. Housekeeping items to be provided by staff and attorney.
12. Increase the amount allowed for medical insurance rebates to pensioners by \$15,000,000 annually to \$40,000,000 per year.
13. To allow the Board of Education to assign to the Chicago Teachers' Pension Fund office the President of the Fund and pay his/her regular salary and benefits for an eight-hour day, 52 week year for the duration of his or her term of office. The President would retain all benefits of active teachers including the accrual of seniority.