Public School Teachers' Pension and Retirement Fund of Chicago

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PENSION NEWS

® 278 June 1990

REPORT FROM THE PRESIDENT OF THE BOARD OF TRUSTEES

Judy Cheris
President

I am pleased to inform you the fund is moving ahead along the path advised by our consultant, William M. Mercer. The trustees continue to meet twice each month as a full board with committee meetings taking place on other days.

I began working at the pension office the beginning of May, and am grateful for having this time to devote to the fund. It is unfortunate that other trustees were not allowed to work here also, as there is so much to accomplish. In New York three teacher trustees work full time all year at the pension office, and in Chicago, the Police and Fire departments, also assign trustees to their fund's offices on a full time basis. The need is there.

At our May 31 meeting, Anita Andren (our Mercer consultant) reported on the investment performance for periods ending December 31, 1989 and March 31, 1990. Our asset allocation was approximately the same as that indicated in the Mercer report up to June, 1989. Relative to the CDA public funds universe, Capital Supervisors equity performance was above average in 1989, but below average for the first quarter of 1990. The fixed income results were similar to the Shearson Lehman Government Corporate Index, and were above the median for both time periods. For total fund performance, the fund had a below median result in calendar year 1989 and first quarter 1990.

The changes we have planned are just beginning to take place now. Their effects will probably not be obvious until the Mercer report ending June or September 1990.

In the past, we had stock in only thirty-five companies, valued at almost a billion dollars. We have completed our transfer of nine hundred seventy five million dollars to S&P and ''small-cap'', South African free, index accounts at the American National Bank. We now have approximately 3,500 issues. Our positions in the index accounts not only enhance our diversification, but in the long term will reduce management fees and brokerage costs.

We will be ready in July to begin interviewing active managers of domestic and international equities. We probably will hire three managers during the summer. These new managers will determine how much of the amount allocated to them needs to be in cash-equivalents, depending on their interpretation of market conditions. They will then be judged on their total performance.

The trustees are also working hard to move ahead in other areas. Seventy-one percent of our contributors are women. Seventy-nine percent of our annuitants are women. Over 50% of our contributors are minorities. In fairness to all, we have expanded the list of brokers who do business with us to include more minority and female brokers. We are very pleased with the quality of service our new brokers are providing.

We have recently completed a search for an attorney. The trustees examined proposals from approximately twenty law firms, and interviewed nine attorneys. In May, we made our selection. By a vote of eight to one, the board decided to hire Joseph M. Burns and Martin J. Burns from the firm of Jacobs, Burns, Sugarman, and Orlove. Joe Burns is a graduate of Loyola University and Loyola University School of Law. His two children attend the Ted Lenart School, and Joe is a LSC member at Lenart. Martin Burns was also graduated from Loyola Law School. He has a Masters Degree in social and industrial relations from Loyola, and has taught courses in employee benefit plans. Joe and Marty have over fifteen pension fund clients, and serve as special counsel to the Chicago Firemen's Annuity Fund. Their thirteen member firm includes African-American, Hispanic-American, and female attorneys.

At our last meeting, the trustees voted to bring on new auditors. I learned that most public bodies change firms every five to seven years. We have not changed auditors for twelve years. Therefore, the trustees voted unanimously to begin the process of selecting a new firm to take a fresh look at our fund and do our August, 1990 audit. In addition, some of the accounting systems of the fund need updating to accommodate the changes taking place. There is also a need to continue to computerize more of the office records and procedures. The trustees, staff, and outside auditors will have to determine the appropriate time to accelerate this process, to bring our operation more in line with other funds.

As a contributor and future annuitant, you can be assured I will continue to give my best efforts to ensure the safety of the fund and to bring us to the highest standards of a successful up-to-date fund operation. The trustees and staff are working tirelessly toward this end and I thank them for their dedication.

TRUSTEES 1990 LEGISLATIVE PROGRAM

The following proposals of the Board of Trustees are NOT laws but suggested changes to the pension law as it now stands. All teachers will wish to follow the progress of the proposals and make their positions to the respective sponsors. Special mention should be made here of the bills' individual sponsors with thanks to each of the sponsors for helping with the Trustees' legislative package.

1. S.B. 1694, William A. Marovitz (D) Dist. 3. Arrive at maximum pension at 35 years by calculating 2% for each year of service years 1-30, 3% for years 31-35.
2. H.B. 3653, Nelson Rice, Sr. (D) Dist. 33. Start automatic annual increase at year following retirement instead of age 61.
3. H.B. 3616, Robert LeFlore, Jr. (D) Dist. 15. Increase automatic annual increase to 4%.
4. H.B. 3660, Jesse White (D) Dist. 8. Grant military service credit (up to 2 years) served before the pension period, subject to statutory cost requirements to be borne by the contributor.
5. H.B. 3652, Nelson Rice, Sr. (D) Dist. 33. Start automatic annual increase after 1 year on pension.
6. H.B. 3608, Gene L. Hoffman (R) Dist. 40. Change number of years used in calculation of average salary from final 4 years to final 3.
7. H.B. 3661, Jesse White (D) Dist. 8. Amend provisions for contributions for leaves of absence to include study and travel leaves.
8. H.B. 3924, Sam W. Wolf (D) Dist. 111. Housekeeping proposal. Authorize the Board to lend securities, authorizes service credit for certain paternity leaves, & requires that applications for disability retirement pension be submitted within 3 years from the date of separation from service.
9. H.B. 3423, James F. Keane (D) Dist. 28. Reduce the number of years required for service retirement pension without discount from 35 to 30.
10. S.B. 1759, Howard W. Brookins (D) Dist. 18. Provide an inflationary trigger mechanism when the consumer price index exceeds 6%.
11. S.B. 1758, Howard W. Brookins (D) Dist. 18. A pension annuity should only be suspended if a member is a full-time employee within the system.
12. H.B. 1693, William A. Marovitz (D) Dist. 3. Raise the $8 million cap for medical insurance reimbursement to $15 million.
13. H.B. 3692, Sam W. Wolf (D) Dist. 111. Raise number of sick days for service credit from 170 to 244.
14. H.B. 3615, Robert LeFlore, Jr. (D) Dist. 15. Prohibit pension credit for unused vacation days.
15. H.B. 3607, Gene L. Hoffman (R) Dist. 40. Provide 40 year amortization of unfunded liability through state appropriations in same fashion as recent legislation for other teacher funds in Illinois.
16. H.B. 3422, James F. Keane (D) Dist. 28. Modifies the interest charge for maternity leaves.

TO OBTAIN THE NAME OF YOUR STATE SENATOR OR REPRESENTATIVE, CALL 269-7974 (in Chicago) or 443-5150 (in the suburbs).

FROM THE EXECUTIVE DIRECTOR

James F. Ward

Funding and Your Benefits

Our unfunded liability is less than most funds in the state. Yet, the legislature has refused to allow us many of the benefits some of the other funds have. Important legislation to improve our benefits is listed in this newsletter. We may not get all we want this year but with your persistence in communicating with your legislators we should eventually bring our formula and benefits to where we need them to be.

The present retirement formula was enacted nineteen years ago. A career teacher with 20 years of service will receive a pension of 35.7% of average salary. Compare this with the Chicago Sanitary and Cook County Forest Preserve employees who will receive 44% of average salary with the same length of service.

A recent study done for the State Teachers Fund (they use the same formula) showed that teachers (Chicago, Downstate, & University) retiring with 20 years of service received a retirement benefit equal to 185.5% of their contributions, i.e. for every dollar contributed by a teacher, the state contributed only 85.5¢. For Judges the state contributed $3.14; General Assembly - $2.88; IMRF - $2.14.

A glowing inequity exists. The way to right this wrong is through legislative action. Your Trustees have drafted, and have had introduced by Senator Marovitz, legislation (S.B. 1694) to improve the formula. Write now. Write again. Place this issue squarely before your state legislators.

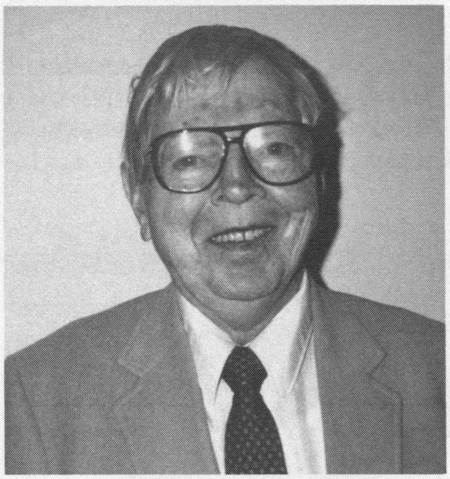
PRE-RETIREMENT SEMINAR

If you are considering retirement in the fall of 1990 or during 1991, you may want to attend one of two Pre-Retirement Seminars being held Wednesday, July 18, 1990 at 9:30 a.m. and 1:30 p.m. in the Second Floor Auditorium, 205 West Wacker Drive (in the Pension Office building, corner of Wells & Wacker.)

Pension benefits and procedures will be explained by Pension Fund personnel, representatives from the Board of Education's Personnel Department and Blue Cross-Blue Shield. Speakers from the Chicago Teachers Union's Retired Functional Group and the Retired Teachers' Association of Chicago will also participate. An eminent attorney/genealogist will discuss wills and estate concerns at retirement. The program will be the same at both seminars.

SPACE IS LIMITED. Reserve your attendance at one of these meetings by phoning the Pension Office at 641-4464, ask for Ms. Davis.

NEWLY APPOINTED ANNUITANT TRUSTEE



Paul Ryan
Trustee

Paul Ryan was recently appointed by the Board of Trustees to fill the unexpired term of Edna Fanning.

Mr. Ryan completed his undergraduate studies at the University of Illinois, Urbana, and masters degrees at DePaul University and Loyola University.

His employment by the Chicago Board of Education included that of classroom teacher and counselor at Waller High School (now Lincoln Park High) and Schurz High School. He is certificated as a national certified counselor by the National Board for certified counselors. He also taught Business English at Triton College. Currently Mr. Ryan serves as one of the retired delegates to the Chicago Teachers' Union House of Delegates and is a legislative coordinator in that organization. He is a member of the Retired Teachers' Association and a member of the Chicago Teachers Union Retired Functional Group. In his capacity as a member of the CTU retired group he has recently met with American Federation of Teachers Pension and Retirement experts to coordinate efforts to eliminate the Social Security offset. He has also lobbied in Springfield for pension legislation.

Mr. Ryan said he welcomes the opportunity to serve the concerns of both current contributors and annuitants.

IMPORTANT NOTICE FOR RETIREES . . . WHO CONTINUE TO MAINTAIN THEIR HEALTH INSURANCE WITH THE CHICAGO BOARD OF EDUCATION

If you continue to maintain your health insurance with the Chicago Board of Education under the "COBRA" provisions of Federal law your coverage in that group is limited to a period of 18 months. On the statement you receive from the Insurance Department is information regarding your last month of eligibility for coverage with the Board of Education.

If you plan to join the Pension Fund's Blue Cross-Blue Shield plan after your COBRA coverage ends, write to the Pension Office at least 2 months prior to end of your coverage and request a Group Health Insurance Application. The Group Health Insurance Application must be returned to the Pension Office at least 30 days prior to your first month of coverage with the Pension Fund's Group. <u>To avoid any gap in your coverage, or double coverage, be sure to specify the month you wish your coverage to start.</u>

Remember, you may join the Pension Fund's Blue Cross-Blue Shield plan at any time, provided you have had continuous health insurance coverage from your date of retirement.

OLDEST TEACHER PENSION FUND IN THE COUNTRY*

HISTORY

The Pension Fund originated in 1895 and at that time was called the Public School Teachers' and Employees' Retirement Fund of the City of Chicago. The law creating the Chicago Teachers' Pension Fund was enacted by the Legislature of 1895, approved by Governor Altgeld, and became effective on July 1, 1895. It applied not only to teachers, but also to other employees of the Board of Education. The Legislature of 1903 authorized the separation of these two classes of employees.

The law provided a board of trustees for the newly established fund consisting of the twenty-one members of the Board of Education, the Superintendent of Schools, and two members to be elected by contributors. On October 21, 1895, the Chicago Teachers' Club petitioned the Board of Education to take the necessary steps to form a Board of Trustees. A meeting of representatives, one from each school, for the purpose of selecting the two contributor members of the new Pension Board was held on Saturday, November 16, 1895, at the Schiller Theater on Randolph Street, nominations were made for trustees of the Pension Fund. The elected contributor trustees were Mrs. Ella Flagg Young, Assistant Superintendent of Schools, and Mr. Thomas J. Waters, Chief Engineer. Following is a list of the original Board:

Fred M. Blount	Evelyn A. Frake	Albert G. Lane	Otto C. Schneider
Thomas Brenan	Edward G. Halle	Robert Lindblom	Caroline K. Sherman
Daniel R. Cameron	Ella G. Hull	James P. Mallette	Charles S. Thorton
Thomas Cusack	M. J. Keane	John S. Miller	Alfred S. Trude
Max A. Drezmal	Wallace F. Kirk	P. F. Pettibone	Thomas J. Waters
Joseph W. Errant	Louis O. Kohtz	Benjamin J. Rosenthal	Ella Flagg Young

The new Board fixed pension deductions at one percent of salary. Deductions were made for the first time in January, 1896, and were compulsory. The initial legislation provided for pensions of one-half salary, not to exceed $600.00. (Elementary teachers' salaries ranged from $500.00 to $825.00 the high school teachers' schedule was somewhat higher.) However, the maximum of $600.00 must have appeared extravagant as evidenced by a new maximum of $180.00 imposed by the Trustees in 1901. The first pensions were paid in September, 1896. From the first, teachers were permitted to count service outside Chicago up to two-fifths of their total time. There was no provision for a minimum payment into the fund before retirement. Women were permitted to retire after twenty years of service; men after twenty-five years. There were 145 persons placed on the roll before January 1, 1901.

*A Basic guide to State Teachers' Retirement Systems, Phoebe Liebig, Ph.D., Research Assistant Professor, Gerontology, University of Southern California

QUESTION BOX

ACTIVE TEACHERS

Q. ***WHAT IS "OPTIONALLY CREDITABLE SERVICE"?***

A. Optionally creditable service is service credit a teacher can, if eligible, purchase. Because the amount of pension is partially determined by the amount of service credit, the purchase of additional service credit is normally recommended.

Optionally creditable service allows a teacher to pay a pension contribution to the Pension Fund for certain employment other than employment as a teacher for the Chicago Board of Education, such as:

1. Teaching service in public schools of the several states of schools under the auspices of the United States.

2. Military service in the military of the United States during the pension period.

Other optionally creditable service represents periods of employment for the Board of Education where no pension contribution was paid, such as:

1. Periods of sick leave or maternity leave for which salary was not paid. (Maximum of 12 months can be purchased.)

2. Substitute or Temporary teaching service prior to September 1, 1955.

3. Time lost because of the layoff in June 1976. Payment for this service is normally <u>not</u> recommended because of the extra costs involved.

For information regarding validation of optionally creditable service and the costs involved, call the Pension Office.

ANNUITANTS

Q. ***AM I ENTITLED TO THE ANNUAL HEALTH INSURANCE REBATE?***

A. All annuitants are entitled to a rebate on the members portion of health insurance premiums paid regardless of their health insurance carrier. The percentage of the rebate is determined annually by the Board of Trustees.

Q. ***HOW DO I COMPUTE MY 3% ANNUAL INCREASE?***

A. Effective January 1, 1990 the automatic annual increase provision of your pension was changed to your benefit. Each January the gross amount of your pension check will be increased by 3% over what you received the previous December. Prior to January 1, 1990 the increase was fixed at 3% of your starting monthly gross amount.

OLD METHOD	PER MONTH
Original pension amount	$1,200.00
3% added each January	36.00

NEW METHOD as of (1/1/90)	PER MONTH
Pension amount 12/31/89	$1,200.00
Add AAI as of 1/1/90	36.00
	$1,236.00
Add AAI as of 1/1/91	37.08
	$1,273.08
Add AAI as of 1/1/92	38.19
	$1,311.27
etc. . . .	

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