



PENSION NEWS



May 28, 1998

Dear Contributor:

At the May 6, 1998 CTU House of Delegates meeting, Assistant to the President, David M. Peterson, reported that he expected passage of the 2.2 pension improvement. Through intense lobbying efforts of the CTU and IFT, with the constant assistance of the Chicago Teachers' Pension Fund's Executive Director, Michael J. Nehf, and the Pension Board of Trustees and the urging of the Governor and legislative leaders, Mr. Peterson's words have become a reality.

On Friday, May 22, 1998, the 2.2 pension formula proposal became law.

This law provides the greatest on-going improvement for teachers' pensions throughout Illinois in recent history. Our thanks to Speaker Michael J. Madigan for facilitating the effort by convening a series of negotiating meetings that accomplished our goal.

What is 2.2?

The 2.2 flat-rate pension formula now provides an improvement in the retirement benefit for members by accelerating the rate at which future pension benefits accrue. Currently your pension accrues at a slower rate in your early years and at a faster rate as your service credit increases.

Years of Service	Annual Pension Percentage	
	Step rate Formula	New flat rate 2.2% Formula
1 st 10 years	1.67%	2.2%
2 nd 10 years	1.9%	2.2%
3 rd 10 years	2.1%	2.2%
Years beyond 30	2.3%	2.2%

What is the difference between the step rate formula and the new 2.2 formula?

Your initial annual pension amount is determined by multiplying your pensionable salary (*average salary for the highest four consecutive years within the last ten years, including the 7% pension pick-up*) times your total pension percentage. Below is a comparison of accrual percentages under the step rate and new flat rate formulas.

Years of Service	Step rate Formula	New flat rate Formula	Percent Increase
10	16.7%	22.0%	31.7%
20	35.7%	44.0%	23.2%
30	56.7%	66.0%	16.4%

How will 2.2 work?

All service earned *after July 1, 1998* will accrue at the 2.2% flat rate. The change is automatic and will require no action on your part. There is one exception. If you have at least 30 years of service as of July 1, 1998 and you do not elect to upgrade your service to the 2.2% formula for prior years, you will receive 2.3% of pensionable salary for each year of creditable service earned on or after July 1, 1998.

Do my pension contributions increase?

The new law provides that all Illinois teachers, their employer, and the State of Illinois share funding responsibility. Teachers will pay approximately 50% of the cost through a 1% increase in each teacher's retirement contribution. As a result, beginning July 1, 1998, each teacher's contribution will increase to 2% of salary. The CPS Board will continue to pay the 7% employee pick-up. Accordingly, total pension contributions will amount to 9% of a teacher's salary. There is also an *upgrade charge* to convert service credit earned prior to July 1, 1998. Refer to below for more information.

Does 2.2 make other changes?

The basic age requirements of the retirement plan do not change. One exception is that members who attain age 55 by December 31 in any year shall be deemed to be age 55 no later than the preceding June 1 of that year. For example, if Jane Smith will become age 55 on October 5, 2003, she will be considered age 55 as of June 1, 2003 for pension eligibility purposes. Additionally, 33.95 years of service will now automatically provide teachers a full 75% pension.

Does the new law change the early retirement discount provisions in the law?

Under the new law your pension will not be discounted if you have at least 33.95 years of total service credit as of the date of retirement.

Can I use the ERO?

The Early Retirement Option (ERO) currently requires the CPS Board of Trustee approval. This option is not available to the Chicago teacher members at this time.

Does the 75% maximum pension percentage increase?

No. The highest benefit will remain to be 75% of your pensionable salary.

How are unused sick days treated?

There is no change in the way unused sick days are treated. A maximum number of 244 unused sick days will be used for additional service credit. Eighteen days constitute one month.

Will I get paid for 85% of my unused sick days?

The new law does not change the requirements of the CPS Board of Trustees relating to payment for unused sick days. The requirements are for teachers to have 35 years of service credit or have 20 years of service credit and be age 60 or be age 65 at the time of retirement. The CTU contract will have to be changed in order to provide for payment of sick days at 33.95 years of service.

What is the upgrade?

Credit earned before July 1, 1998 can be converted to the new formula by purchase of optional upgrade credit.

Why is there an upgrade charge?

The charge helps to equalize the cost of the benefit improvement between persons who have contributed under the old formula and those who will work under the new contribution requirements. The upgrade is entirely voluntary.

What does it cost to upgrade?

Your upgrade cost is determined by multiplying the *number of years of service to date* times 1% times *your highest salary rate during the four years prior to the year of making application for the upgrade*. If you upgrade, you must upgrade **all** of your years of service prior to July 1, 1998. However, your upgrade cost shall not in any event exceed 20% of that salary rate. The number of years used to calculate your upgrade cost is reduced by one year for every three full school years you teach after July 1, 1998.

How can I pay for upgrading previous years of service?

You may pay in any of the following ways:

- Lump sum on or before the date of retirement, either in cash or through a rollover from an acceptable source, such as a conduit IRA;
- As an active member, by tax-sheltered payroll deductions over no more than five years; and/or
- By deduction from your retirement annuity over 24 months if you retire prior to June 30, 2003.

Why apply for my upgrade before retirement?

Salaries increase annually. You will likely pay a smaller amount if you make application as soon as possible. When making application for the upgrade, you are simply stating how you plan to pay for the cost of the upgrade. You are **not** stating when you plan to retire.

Can my pension be calculated using the old step rate formula?

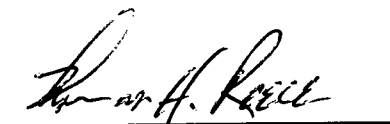
Yes, a member may have his pension calculated using the old step rate formula. Those with more than 34 years of creditable service using the step rate formula will be eligible for a refund of 1% of contributions they make after they reach 34 years of creditable service.

What about retirees?


The new benefits apply only to teachers who are currently employed as of the effective date of the law, which is May 22, 1998.

We hope this provides you with sufficient information about 2.2. Please do not hesitate to call or write the Pension Fund or your CTU field representative for additional assistance.

Sincerely,



Thomas H. Reece
President, Chicago Teachers Union



Mary Sharon Reilly
President, PSTP Fund of Chicago