

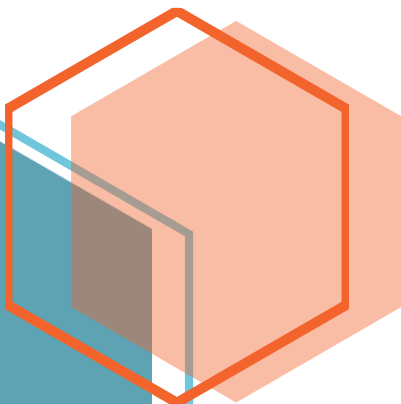


# State of the Fund

*CTPF Executive Director Carlton W. Lenoir, Sr.,  
delivered this report to the Board during the  
June 20, 2024, Board of Trustees meeting.*



Chicago Teachers'  
Pension Fund



As the 2024 Fiscal year ends, I want to review the progress our team has made since I began my tenure at the Fund in August 2021. The creation and adoption of the organization's first Strategic Plan in 2022 laid the foundation for my administration and has helped ensure transparent and accountable management. The plan, created with input from all Stakeholders, clearly demonstrates organizational priorities and sets actionable goals by year. The Strategic Plan categorizes our work into four groups based on our Mission Statement, and our Leadership Team meets monthly to check in and review progress on those goals. We are on track in 2024 for another high-performing year, following the attainment of all our attainable 2023 goals – and we each contribute to the successful execution of our strategic plan.

Our strategic plan ensures that our mission is at the heart of every task we undertake. This overview takes the same approach, categorizing our progress based on the four pillars of our mission.

## **Ensure Efficient and Effective Management**

Effective and efficient management is the foundation of our success, and during the past three years, we have made tremendous progress in ensuring that our administrative structure supports the policy direction of our Trustees and the needs of our organization and members.

The Board took a notable action on November 21, 2021, amending the bylaws to clearly define the roles and responsibilities of the Board and the Executive Director. That step helped all of us to clarify and embrace our respective roles as policy setters, administrators, and, above all, as fiduciaries of this Fund. As the head of the administrative function, I have prioritized outreach and communication, and I send a report each Friday with an activity summary, investment report, and outreach update. The report underscores my commitment to transparency and helps ensure that you have insight into and understand the work we undertake on behalf of our members. As your primary point of contact for the Fund, I make myself available to meet your requests and needs. My monthly written report, included in the meeting materials, provides an accounting of our Funds' activities for the public record.

Reconstituting the Internal Audit department and improving our internal controls were among my earliest priorities, and they helped ensure that we put continuous improvement at the center of our organization. The redefining of the Director of Internal Audit (DIA) position in June of 2022 and the subsequent hiring of a DIA with extensive professional experience has been a significant step forward. We now have an actionable annual audit plan, presented to the Trustees for approval. New software has been implemented to help track and standardize the audit process. The Trustees reviewed the first results from audits of our procurement process and IT security in February 2024. Those reports set a strong precedent and reminded us of the critical role an effective and efficient Internal Audit Department provides to Trustees and staff.

We have undertaken structural changes in our organization, which reorganized and aligned departments with critical processes, added accountability and strength to the leadership team, and provided visibility to our Employer Services functions. We have looked to our team to develop talent and leverage the expertise when possible, and we have been promoted from within our ranks to help recognize and retain our talented workforce. We invested in an organizational review and analysis. Conducted by the consulting firm CAPTRUST, a global financial services firm with

36 years of experience, the assessment reviewed our organization, surveyed peer organizations to provide comparative data, and suggested adjustments to the design and reporting structure. Their report offered actionable recommendations that our staff has incorporated into our strategic plan and information that will help guide us as we consider succession planning and best position the Fund for future growth.

The rebuilding of our Human Resources department after years of instability and turnover in the leadership role allowed us to renew our focus on employee development and has brought stability to the organization. Our voluntary turnover rate which reached a high of 18.7% in 2021, fell to 2.91% in 2023 and has been 0% in 2024. We have added emphasis on employee development with new training tools with LinkedIn Learning and KnowB4 and updated our employee onboarding process. A more robust onboarding process has been developed to welcome new hires and our performance evaluation system has been revised with a focus on goal setting. Our new employee recognition program honors service annually, and the HR team has boosted morale substantially and shows support to employees with an annual employee appreciation week. We have seen a dramatic reduction in employee grievances and whistleblower complaints, with zero complaints to the whistleblower hotline since February 2022. The changes have made a tangible difference, and we saw data-driven evidence of this when CTPF earned the Great Place to Work certification for the first time in our organization's history in 2023 and improved upon the results substantially with our second-year award in 2024.

Data and its efficient management are at the heart of our organization, and our work to replace our aging Pension Administration System, project TITUS, is our organization's most critical priority. I am proud to be the executive sponsor for this three-year engagement, which will transform our organization and members' experience. During the past year, we worked through vendor issues that necessitated the re-issuance of the Request for Proposal and subsequent litigation, and we re-launched TITUS in October 2023. Our enterprise-wide team, managed by our EPMD office, moved forward rapidly with new requirements. In March, we completed Phase 1 after reviewing more than 1,800 requirements and showing their "fit" with the new system or a gap that needs to be addressed. An interdepartmental Data Cleanup team collaborated across departments to assess and plan data cleanup actions most efficiently, cleaning up 1.2 million records (77%) since the project started. The work on this project comes in addition to full days and schedules, and we appreciate and acknowledge the tremendous commitment of the entire staff to this organizational priority.

While we work to implement TITUS, we have continued to expand and improve our member self-service portal, *myCTPF*. A cross-organizational team developed a portal that now serves over 20,270 registered users. Active members have downloaded 10,817 Member Statements, 7,222 1099Rs, and 5,427 pay advices and can view their member statements and request pension estimates when they are eligible. Retirees can edit their demographic information and download pay advices and CTPF direct deposit forms (425) directly from the system. The portal's implementation has enabled us to eliminate the costly mailing of Annual Statements.

I take pride in the improvements in our efficient management. These steps have set the foundation for all the functions we executive daily on behalf of the Fund and our members.

## Provide for and Enhance Economic Well-being for our Members

As a pension fund, we take in contributions, invest them, and return funds to our members in the form of benefits. Providing and enhancing the economic well-being of our members is our most important function, and we continue to deliver on this goal.

Our finance department has excelled in various areas, ensuring the receipt of required contributions and “normalizing” those receipts with the State of Illinois and CPS, delivering high-quality reporting, offering critical support for ongoing audits, and streamlining the budgeting process to ensure efficient and effective resource utilization. The team has implemented new accounting software and is currently implementing new budgeting and procurement systems, which will improve access to information, tracking, and reporting. We have earned unmodified opinions from our External Auditor, who also noted the tremendous cooperation and teamwork provided by our Finance Team during the audit process. We have earned the Government Finance Officers Association Certificate of Achievement in Financial Reporting consistently, recognizing organizations that exceed the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that are consistent with the spirit of transparency and full disclosure.

We continue to collect revenue from the State of Illinois and CPS on time, and I update these collections in each ED report.

Last year, we created an Employer Services Department, recognizing the need for a more robust approach to employer outreach, and the department has delivered dramatically, as they have completed nearly 80% of our CPS audits and are on track to complete all of them this fiscal year. This has been a tremendous lift – and it was done while doubling the yearly audit goal. After years of stagnation and stalled progress with outside firms, we brought much of this work in-house and have moved forward rapidly with the first-ever audit of CPS.

We are nearing completion of the Fund’s first forensic audit, conducted by a highly respected accounting firm that employs certified public accountants with extensive experience and background in performing this work. This is an important distinction, as a true forensic audit should be a specific and prescribed process conducted by qualified and impartial individuals without professional conflicts or personal gains. The audit results will be shared with the Board and the public – in another demonstration of our commitment to transparency and improvement, and I expect this to provide peace of mind for our Trustees and members.

We have undertaken ambitious goals in the Investment Department, creating a statement of investment beliefs, reviewing and, when possible, reducing fees, and rethinking how we invest to ensure long-term performance and growth. We have moved forward with our ambitious ESG goals when our Trustees voted in October 2022 to immediately commit to engagement with fossil fuel companies to encourage them toward a path of clean renewable energy sources and to divest from fossil fuel holdings and/or to invest in viable, clean energy sources to fully offset the Fund’s fossil fuel investments by December 2027.

We have examined and updated our asset allocation policy and added a new asset class, private credit, and reallocated to account for the realities of today's volatile markets. The Fund also hired a vendor to manage the Fund's proxy voting rights and to ensure that the Fund's priorities are reflected in voting. We accomplished these goals while delivering long-term results, exceeding our target by more than 200 basis points. Our team did this while continuing to provide extraordinary opportunities for MWDBE managers – our Fund continues to lead the nation when providing opportunities – with nearly 50% of our portfolio managed by MWDBE managers. The policies you set, executed by our investment team, demonstrate that we can do well while doing good, and that's an exceptional point of pride for our organization.

The work we do is to provide pensions. Our Benefits team has made tremendous progress, reducing processing time for pensioners and refund requests, eliminating backlogs, improving self-service options for members, improving communications and resolution timeframes with members who have issues, prioritizing member needs, focusing on data cleanup, providing subject matter expertise and leadership for TITUS. Our Pension Processing time is perhaps the clearest measure of the progress made by this team. The data shows that our processing time to move from preliminary to final pension reached a high of 22.4 months in 2021 and has steadily improved during the past three years and is now 6 months in 2024.

The Benefits Team has also worked closely with the IT department to establish KPI reporting. This helps the team focus on maintaining and improving processing timeframes. The Service Purchase function was also transitioned to this department, grouping all pension-related processes for efficiency, increased collaboration, and an improved member experience. The teams came together to enhance training and documentation, creating processing efficiencies that benefit members.

Our Death and Disability team has improved processing timeframes tremendously. The team consistently reviews and identifies deaths and incoming applications promptly. They have also established a relationship with a local SSA office to validate death data on a timely basis and have focused new efforts on clearing challenging cases. They are also evaluating potential vendors to assist with reporting deaths.

Our Health Benefits team issued highly successful RFPs in 2023, which resulted in \$22 million in direct savings for the Fund and helped to ensure that CTPF could maintain the 60% premium subsidy for retired members. In 2024, we issued another RFP for our non-Medicare plans, and we continue to work actively to hold the line on ever-inflating healthcare costs with projected savings of nearly \$1M, significant monthly savings to our members, and an improved plan design. The Health Benefits team also took a fresh look at our *Health Insurance Handbook*, dividing it into two targeted documents, resulting in savings to the Fund and a better user experience for members. They established an onsite vendor fair where members could speak directly with the carriers and learn more about their plan options. They continue to refine and educate on the rebate process to reduce payment timelines.

In 2023, CTPF proactively organized and coordinated a joint letter from CTU, CPAA, and RTAC to all Illinois legislators requesting additional funding and noting our funding history. With increasing awareness of the need to fully fund pensions, we wanted to make sure legislators understood the history of our underfunding and asked them to correct past mistakes.

Our work to collect, invest, and distribute revenue to our members has significantly improved, and we continue to prioritize these functions.

## **Earn and Keep Stakeholder Respect**

The many stakeholders we serve and collaborate with include our members, Trustees, employers, reciprocal systems, member and retiree associations, legislators, and business partners. I am proud of the work we have achieved in this regard and want to offer some highlights demonstrating our commitment.

We have made tremendous progress in improving the efficiency and effectiveness of our Trustee meetings, improving staff/board relations, and ensuring that Trustees feel informed, engaged, and valued. During the last legislative session, we successfully codified 22 leave days for active teachers, so our active Trustees have the time to focus on the Fund's business and complete the training needed to uphold their fiduciary duties.

Our meeting schedule has been streamlined, and we hold multiple meetings per day whenever possible. We have focused on producing meeting materials that are clear, concise, and predictable, with posting a full week in advance to support decision-making. Regular pre-board meetings, an important commitment of the Trustees and ED, allow a deep dive into topics when needed and contribute tremendously to effective meetings.

Each member who speaks during public participation receives a personal note, acknowledging their commentary and explaining follow-up if needed. We thank those who visit us and make sure they know they are respected and valued.

Respecting our Trustees' time has led to a new focus on Trustee onboarding and education. We have formalized training materials and added departmental meetings with each leadership team member so that new Trustees feel welcomed, receive a comprehensive view of CTPF's people, processes, and operations, gain an understanding of the Open Meetings Act requirements and our meeting procedures, and have the background and information they need to become effective leaders and policymakers.

The Fund has made several commitments to transparency and accountability, offering meetings in a hybrid mode, including public participation, and most recently, posting the video from meetings within five days on our website. These steps ensure the public has convenient and timely access to all public meetings. We have scanned and published the entire library of our Trustee meeting minutes and now offer a complete catalog dating back to the Fund's founding in 1895 on our website.

We have found new ways to show our respect for our volunteer Trustees. A recognition program started in 2022 now highlights Trustees' service annually. We make time during our December meeting to publicly acknowledge the Trustees' role as volunteers who make their time available to the Fund for the benefit of members.

We have prioritized stakeholder outreach and collaboration, and our Member Services Unit, which is the "face" of our organization, has made significant investments in training that have yielded immediate results. The team has

developed new training manuals for all CTPF processes and new hire onboarding. Hold times and call abandonment rates have been reduced. The team has implemented new reporting and scheduling in the call center, with improved analytics and call transcriptions.

Depending on their preference, the staff effectively serves members via in-person appointments, phone, or video counseling. School visits have increased, and our team accommodates requests from Pension Reps who wish to have an onsite meeting.

The team provides multiple webinars to assist and educate thousands of members on retirement, health insurance open enrollment, Medicare eligibility, and general information about CTPF benefits. The team has recently partnered with the CTU to offer new programming targeting mid-career and Tier 2 members, along with traditional retirement programming.

Our Health Benefits team has developed a successful Open Enrollment program, and our 2024 season featured an onsite vendor fair, several educational webinars, and the addition of a new Medicare Cigna plan. The team continued to improve the processing of our rebate applications and streamlined the application to simplify processing for applicants. They have introduced a webinar to help with application processing and another to help members make wise choices about Medicare plans.

We have expanded our communications and outreach to membership and have developed a consistent program of high-quality, branded information that ensures our members stay informed and engaged.

I meet with our members quarterly and present a series of Town Hall webinars that keep our membership informed and up-to-date. These presentations offer timely updates in the winter, spring, and fall, and their content is recorded and posted for individuals who cannot attend in person.

The Communications team manages a comprehensive, cross-platform communications plan with relevant resources for members, employees, legislators, and the public. The team collaborates with all departments to produce internal and public-facing communications with four significant areas of responsibility: digital and print communications, media/community relations, social media engagement, and website management. The team also produces informational materials and communications for employees and supports the production of materials for the Board of Trustees and the annual Election process.

As the website has become our primary communications tool, we have focused resources on this important asset and provide updates and information daily. We email our membership twice a month with timely updates and information and send printed newsletters three times a year. We produce a Popular Annual Report, which includes a summary of the information from the Annual Comprehensive Financial Report (ACFR) and statistical and historical information about our Fund. The Fund's Economic Impact Statement offers an overview of pensions' positive impact on the economy of the State of Illinois and the City of Chicago.

New communications have targeted our newest and most senior members in the past two years. We now send a quarterly email with a letter from the ED, sharing a welcoming message, information about their pension benefit, and where to find additional information. On the other end of the spectrum, retirees turning 90 and 100, and then each year after 100, they receive a hand-signed card for the month of their birthday. In the past two years, I have signed and sent these cards to nearly 400 retirees, several of whom have sent thank-you notes of appreciation.

We have continued to develop partnerships with our stakeholder groups. CTPF sends monthly reports to our counterparts at the CTU for the House of Delegates meeting and separate communications for the CTU Retirees and the RTAC retirees. I met with the RTAC president and Executive Director earlier this year to discuss our shared goals and ways to partner for our members' benefit. It was a positive and forward-thinking discussion.

As we continue with the implementation of TITUS, we know that cooperation with our employers will be critical to our success. We have increased our outreach to CPS, with meetings and contacts occurring regularly between our team and their counterparts at CPS. Our Employer Services department has revamped our training for employers, providing curated individual help and outreach based on feedback from our employers.

During the past two and a half years, CTPF has engaged with our stakeholders in Springfield with annual mailing sharing our Popular Annual Financial Report, Economic Impact Statement, and individual information sheets. I send hand-signed holiday cards to each Illinois legislator, congratulations letters to new members, and annual thank you notes to those members who sponsored legislation on our behalf. This past year, CTPF has actively participated in several House Personnel and Pensions Committee hearings. I and our Director of Communications have testified at these meetings. This outreach led to an invitation to sit on the City of Chicago's pension working group. I have regularly attended their meetings as they grapple with the "fiscal cliff" for Tier 2 and consider reforms to ensure that these benefits meet the "safe harbor" minimums.

I have been a featured speaker before the Civic Federation of Chicago, specifically on the Tier 2 Pension issue, and had a very positive meeting with their leadership team. This was an excellent opportunity to share our story with an influential organization and reiterate why CTPF is underfunded.

When I joined the Fund, I re-initiated a Leadership Roundtable of the Executive Directors of all Illinois Reciprocal Pension Funds, which has proved a successful and fruitful engagement. Not only do we have a chance for a robust exchange of ideas, but we have also initiated practical actions, including Project REX, the redevelopment of the reciprocal data exchange—a process that requires a major upgrade. I continue to serve as the Vice President of the Illinois Reciprocal Association, which offers educational programming and support for reciprocal pension systems.

Last year, I was asked to serve on the Executive Committee of the National Council of Teacher Retirement (NCTR), and I have been honored to take on this leadership role. NCTR is an independent association dedicated to safeguarding the integrity of public retirement systems and promoting the rights and benefits of all present and future members of the systems.



I am proud of the expansive program of communication and engagement, which demonstrates our commitment and respect to our stakeholders daily. CTPF's leadership in this area is a point of pride for our organization.

## Ensure Compliance with Applicable Laws and Standards

Ensuring that CTPF follows applicable laws and standards is critical to our mission, and we have taken steps in the past two years to rethink and reconsider how we use legal services.

Sometimes, a fresh set of eyes is necessary, and our transition to a new fiduciary counsel to support the organization after a robust RFP process in 2022 – the first for this position in decades – brought clarity, consistency, and created a partnership and positive approach to meetings and policy setting. The engagement also clarified that our fiduciary counsel would not litigate cases on behalf of the Fund, eliminating potential conflicts of interest.

During the past two years, our legal team has brought a tremendous amount of work in-house that had previously been performed by outside firms, including our executive session meeting minutes and the management of the administrative hearing process for return-to-work issues.

Legal team members serve as in-house investment counsel, collaborating with the Investment Department and outside investment counsel to bring Board-approved private equity and real estate investments to closing. The team also oversees the work of the Fund's other outside counsel, including litigation, investment, tax, securities, and class action litigation counsel.

The legal team has also helped us navigate dozens of procurements, ensuring we follow a deliberate and well-documented path for our purchasing needs. They collaborated closely with the Internal Auditor to improve and update the CAPP.

The team has actively collaborated with our Benefits Department and outside counsel to implement efforts and procedures for death overpayment recoupment, including working to subpoena bank records, investigating leads, and setting up payment plans. They have established a protocol for reviewing death benefit overpayment cases to determine whether the amount of the overpayment and the circumstances of the case warrant referral to a law enforcement agency. We have referred two existing matters to the Attorney General's office.

The legal team works closely with our legislative liaisons in Springfield and has drafted the language necessary to support the Fund's legislative agenda. CTPF continues to use various resources to ensure compliance with applicable laws and standards, and our legal team manages this robust process efficiently and effectively.

## Conclusion

Upon my return to CTPF, I articulated a vision of progress through collective effort, and I'm proud to say that together, we've transformed that vision into tangible achievements. Our collaborative efforts have yielded a Strategic Plan with actionable goals, fostering accountability across our team. Through this shared commitment, we've translated concepts into concrete actions, prioritizing the needs of our members. We are a well-managed Fund that consistently demonstrates respect for our stakeholders.

Our prudent investments and strong financial stewardship have helped advance the economic well-being of our members. We have ushered in a new era of transparency and accessibility, where decisions made in our boardroom can be streamed into classrooms.

Reflecting on our tremendous progress in a short time, I know that moving forward, our dedication to our members will remain unwavering as we embrace new technologies, refine our processes, and nurture new ideas. We have created a productive partnership, and I look forward to continuing this journey, building and learning together.