



Chicago Teachers' Pension Fund

203 North La Salle Street, suite 2600 | Chicago, Illinois 60601-1231

March 2009

The Honorable Governor Pat Quinn
207 State House
Springfield, IL 62706

Dear Governor Quinn:

As leaders of the Chicago Teachers' Pension Fund (CTPF), the Chicago Teachers Union, the Retired Teachers Association of Chicago, and the Chicago Principals and Administrators Association, we represent more than 60,000 voters who have concerns about the stability of their pensions. Due to solid investment returns and prudent management, CTPF has enjoyed many years with a strong funded ratio. However, a series of factors including the recent economic turmoil, a decade without employer contributions, and changing membership demographics have lowered our funded ratio (in accounting terms) from 100% in 1999 to 79% in 2008. Our market value offers a more realistic look at our current financial situation. As of February 2009, CTPF has \$7.5 billion in current assets to pay off \$15.2 billion in liabilities. Financial experts have advised us that our situation needs to be dealt with aggressively to ensure the future security of our members' retirements.

This year, we ask you to support our membership with the following steps:

1. Reject any attempt by the Chicago Public Schools (CTPF's primary employer) to cut pension funding.
2. Maintain current state funding for CTPF and consider an increase to provide a more equitable distribution of the state income tax for teacher pension purposes.

Reject any attempt by the Chicago Public Schools to cut pension funding

Our membership has been alarmed by recent media reports that the Chicago Public Schools (CPS) is lobbying for budget relief legislated through a "pension holiday." While our members understand the difficult financial situation faced by CPS, they also understand that these difficulties do not justify neglecting basic financial commitments.

History has proven that short-term cuts in pension funding cause long-term financial devastation. In 1995, CPS faced financial difficulties and convinced the Illinois legislature to redirect CTPF's portion of the City of Chicago tax levy to the CPS operating budget. From 1995 until 2005, CPS enjoyed a pension holiday and made NO employer contributions to CTPF. During this period, CPS received more than \$1.4 billion from the tax levy designed to fund Chicago teacher pensions while CTPF's funded ratio declined substantially. Fortunately, the 1995 law included a guarantee that CPS would resume contributions when CTPF's funding ratio fell below 90%, which occurred in 2004.

Since 2006, CPS has been required to make contributions to CTPF to bring our funded ratio to 90% by 2045. The structure of the agreement included a "ramp-up" period to give CPS significant time to prepare for these costs, and now CPS must uphold its legal obligations. We respectfully ask your support for pension funding by rejecting legislative relief to CPS that would affect our retirees or members. Any potential relief for CPS must be discussed and agreed to by all parties in a transparent manner and not simply forced upon our membership via one-sided legislative changes.

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Increase state funding

While the state faces difficult funding choices and the CPS system has well-documented budget issues, we believe that funding pensions makes long-term financial sense for Illinois. Pensions represent an efficient vehicle for providing post-retirement income and ensure that legions of retirees can lead independent and productive lives.

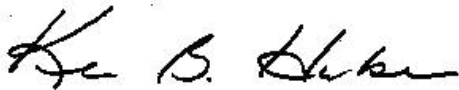
The most appropriate method of providing budget relief to CPS and to secure Chicago teachers' future pensions is to increase state funding to CTPF. Since 1988, CTPF has received approximately \$65 million per year in state funding. In 1988, that funding equaled approximately \$1,666 per member and represented 26% of the state funding provided to the other major retirement plan, Teachers Retirement System in Springfield (TRS). Adjusting for inflation, the state's \$65 million contribution should have increased to \$118 million in 2008. Instead, CTPF received \$65 million in 2008, approximately \$1,095 per member or 6% of the funding allocated for TRS.

We understand that the state must make difficult financial decisions, but we respectfully ask the legislature to appropriate a minimum \$65 million to CTPF for 2009. In addition, if the legislature passes an income tax increase, we believe that state support for CTPF should also increase. Since Chicago's Teachers will share in any new tax burden, they should also benefit from new tax revenue. Any additional state contributions would reduce CPS's future funding requirement and establish a more equitable distribution of state funds to CTPF.

Conclusion

In 2008, the average CTPF pension was approximately \$36,000 – the sole source of post-retirement income for many of our retirees since they do NOT contribute to or receive Social Security benefits. Given the issues on the horizon – our funding ratio in decline, fund sources threatening to default on their obligations, and increasing costs to our members – we believe the state must do its part to secure retirements for Chicago's teachers. More than 60,000 teachers, retired and active, will make their voices heard and their needs known during the next year. We hope we can count on your support.

Sincerely,



Kevin B. Huber, Executive Director
Chicago Teachers' Pension Fund



Marilyn Stewart, President
Chicago Teachers Union



Robert F. Bures, Executive Director
Retired Teachers Association
of Chicago



Clarice Berry, President
Chicago Principals and Administrators
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