



Chicago Teachers' Pension Fund

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

Senate Bill 512 Written Testimony from Kevin Huber – CTPF Executive Director

Chicago Teacher Pension Fund (CTPF) understands that the public feels angry because they must pay for public pensions when their own retirement savings have been so greatly diminished due to a poor economy. In response to this anger, Senate Bill 512 attempts to pacify the public and fix the underfunded status of state and local pension funds.

Unfortunately, Senate Bill 512 (SB 512) has serious flaws; one being the premise that most agree it is unconstitutional. However, it has another defect as it does not guarantee an employer funding plan that is safeguarded from future legislative intervention. The lessons learned from decades of underfunding have not been implemented in SB512 and therefore CTPF cannot support this bill.

It's easy to blame the victim and harder to face the truth and SB 512 further harms the victim without stopping the abuses of the employer. Employers have knowingly neglected their responsibility to fund pensions for decades. The average Chicago Teachers' Pension Fund (CTPF) retiree earns \$42,000 per year after investing 28 years of service in the Chicago Public Schools. Teachers do not contribute to or receive Social Security retirement benefits. Instead, teachers contribute 9% of their salary towards retirement. By comparison, Social security benefits are based upon a 6% contribution. While many have complained that teachers' pensions are too generous, these individuals should recognize that teachers contribute 50% more to their retirement than the average Social Security member.

A difficult economic climate has again ignited cries for "reform" as various organizations decry the cost of Chicago teachers' retirement benefits. SB512 is the current proposal to "reform" pensions. Reform means a correction of an abuse. When you correct an abuse, you go after the abuser – not the victim. The abuses in our pension system come from years of underfunding pensions – not from teachers earning modest benefits guaranteed by the Illinois constitution. SB 512 does not guarantee CPS funding and does not propose funding parity between CTPF and the suburban and downstate Teachers' Retirement System (TRS).

CTPF's current financial difficulties stem from a lack of employer contributions, not excessive benefits. An example of reform occurred in 2010 when the Illinois legislature allowed CPS (SB 1946) to redirect money that should have been put aside for pensions, directly into the CPS operating budget. These actions deprived the pension fund of \$1.2 billion from 2011-2013 and will cost future taxpayers well over \$12 billion. How this is good for CTPF or good for the taxpayer is unexplainable, but it was done under the umbrella of "reform". I do not see these abuses corrected or prevented by SB512.



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The State of Illinois has also failed Chicago's teachers. While the suburban and downstate pension system will receive over \$2.5 billion in annual support for 2011, CTPF will receive no state funding. SB512 contains no mention of state funding to CTPF which is critical to establishing equity and fairness in the distribution of state money for all public school teachers' retirements.

After reading over 300 pages in SB 512, it fails to propose a real solution: mandated employer funding and the prevention of future employer funding abuses. We must eliminate the illusion, again reaffirmed by SB512, that the hard-working middle class, including teachers, caused the financial problems that plague the state and city. Legislators, well-meaning community groups, and the CPS system must face the fact that years of short-term thinking and conscious neglect of the pension fund have led to today's difficult financial position. There must be shared sacrifices by everyone, not just the hard working middle class. Until SB512 addresses the true problems, CTPF must oppose this bill.

Kevin Huber CTPF Executive Director