PENSIONS MATTER

DISTRICT 16

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1. CTPF EDUCATORS DO NOT CONTRIBUTE TO SOCIAL SECURITY DURING EMPLOYMENT AND MUST PAY FOR HEALTH INSURANCE WHEN THEY RETIRE.

A pension is deferred compensation, earned with contributions from each payroll check. Educators make contributions from each paycheck and have never missed a pension payment.

A pension is the primary source of Chicago Teachers’ Pension Fund (CTPF) members’ retirement security. Most Americans contribute 6.2% to Social Security for retirement, but CTPF members contribute 9% of their earnings to fund their retirement pensions. Pensions earned over a lifetime of service are deferred compensation, guaranteed by Illinois law.

2. INADEQUATE FUNDING, NOT OVERLY GENEROUS BENEFITS, STRESSED THE PENSION SYSTEM.

The shortfall in CTPF funding stems from long-term policies which failed to provide adequate revenue. A funding crisis at the Chicago Public Schools in the mid-1990s changed the structure of pension funding and eliminated the tax levy and employer contributions for nearly a decade. This pension “holiday” from 1996-2005 cost CTPF more than $2 billion in funding. Additional legislation passed in 2010 granted the Employer an additional $1.2 billion in relief. During this same period, the State did not uphold its commitment to CTPF.

Lacking revenue and the opportunity to invest that revenue, CTPF’s funded ratio fell from 100.8% in 1999 to 49.5% in 2013. Legislation passed in 2016 and 2017 reestablished the tax levy, established the State’s obligation to fund the normal cost of Chicago’s teacher pensions, and provided funding to offset the cost of retiree health insurance. CTPF is currently receiving the required funding to reach its target of being 90% funded by the year 2059.

Trustees have a stable, conservative, and responsible investment plan in place to ensure the strongest stewardship of public funds. As a long-term investor, CTPF has returned 8.7% over the past 35 years, exceeding the expected return of 7.0%.

3. PENSIONS CREATE A POSITIVE IMPACT ON ILLINOIS’ ECONOMY.

Approximately 84% of CTPF’s annuitants live in Illinois and about half of those members reside in the City of Chicago. CTPF annuitants spend their pensions close to home, benefiting the state and local economies. Every $1 that CTPF pays to annuitants returns $1.46 in economic activity to our state. Pension payments and the ripple effect they achieve help to support 15,000 jobs in Illinois, including 7,640 in the City of Chicago.

CTPF is committed to operating transparently. CTPF’s financial reporting documents and additional information can be found at www.ctpf.org.