CTPF
Chicago Teachers' Pension Fund

LEGISLATION FACT SHEET

Education and Advocacy Initiative

House Bill 3695

HOUSE SPONSORS: Rep. Marcus C. Evans, Jr., (D-Chicago) and House Speaker Michael J. Madigan (D-Chicago) with Chief Co-Sponsor House Majority Leader Barbara Flynn Currie (D-Chicago)

Bipartisan support from several additional Co-Sponsors including:
Rep. David Harris (R-Mount Prospect), Rep. Anthony DeLuca (D-Chicago Heights), Rep. Joe Sosnowski (R-Rockford), Rep. Arthur Turner (D-Chicago), Rep. Christian L. Mitchell (D-Chicago), Rep. Elgie R. Sims, Jr. (D-Chicago), Rep. Camille Y. Lilly (D-Chicago), and Rep. John D'Amico (D-Chicago)

The bill passed the Illinois House on a vote of 102 to 9 on April 14, 2015.

SENATE SPONSORS: Sen. Mattie Hunter (D-Chicago) with Co-Sponsors Sen. Don Harmon (D-Oak Park), Sen. Ira I. Silverstein (D-Chicago), Sen. William Delgado (D-Chicago), Sen. Napoleon Harris, III, (D-Harvey), Sen. Kwame Raoul (D-Chicago), Sen. Martin A. Sandoval (D-Cicero), Sen. Heather A. Steans (D-Chicago), Sen. Donne E. Trotter (D-Chicago), and Sen. Emil Jones, III (D-Chicago)

HB 3695 unanimously passed out of the Senate Executive Committee on May 6, 2015.

SYSTEMS IMPACTED: Chicago Teachers' Pension Fund (CTPF)

TAXPAYER IMPACT: No financial impact

SUBJECT MATTER

Synopsis of House Bill 3695: 105ILCS 5/34-53 from Ch. 122. par 34-53

Amends the School Code. Provides that a separate tax shall be levied by the Chicago Board of Education for the purpose of making an employer contribution to the Public School Teachers' Pension and Retirement Fund of Chicago, at the rate of 0.26%; requires the proceeds from this separate tax to be paid directly to the Pension Fund. Makes a corresponding reduction in the rate limitation for the tax for general educational purposes. Effective immediately.

House Floor Amendment 1

Specifies that, the changes made to the affected Section by the amendatory Act: (1) do not authorize an increase in the district's maximum aggregate extension or limiting rate under the Property Tax Extension Limitation Law or an increase in the existing total maximum rate limitation under this Section; and (2) constitute a continuation of the existing total maximum rate under this Section and are not a new rate for the purposes of the Property Tax Extension Limitation Law.

BACKGROUND INFORMATION

History

Prior to 1995, the Chicago Public Schools Board of Education (CPS) funded pensions on an annual basis through a property tax levy. In 1995, CPS sought and received a change in the law which allowed it to keep pension tax revenue (PA 89-0015). This law redirected more than $2 billion in funds designated for pensions into the CPS operating budget. A 2010 law (PA 96-0889), granted CPS an additional $1.2 billion in pension funding relief and extended the funding schedule by 14 years to 2059. CTPF has not had a stable source of revenue since 1995.

Impact

If this bill becomes law, in conjunction with current laws that require actuarial funding, it would be a significant step toward achieving stable funding for CTPF. A guaranteed revenue source will improve the financial health of the pension plan and secure the stable and long-promised retirements for Chicago's 27,700 retired CPS educators. CTPF members do not receive Social Security and must pay for health insurance when they retire.

Support

The Chicago Teachers' Pension Fund, the Retired Teachers Association of Chicago (RTAC), and the Chicago Principals and Administrators Association (CPAA) support this bill.

Summary of Pension Funding History

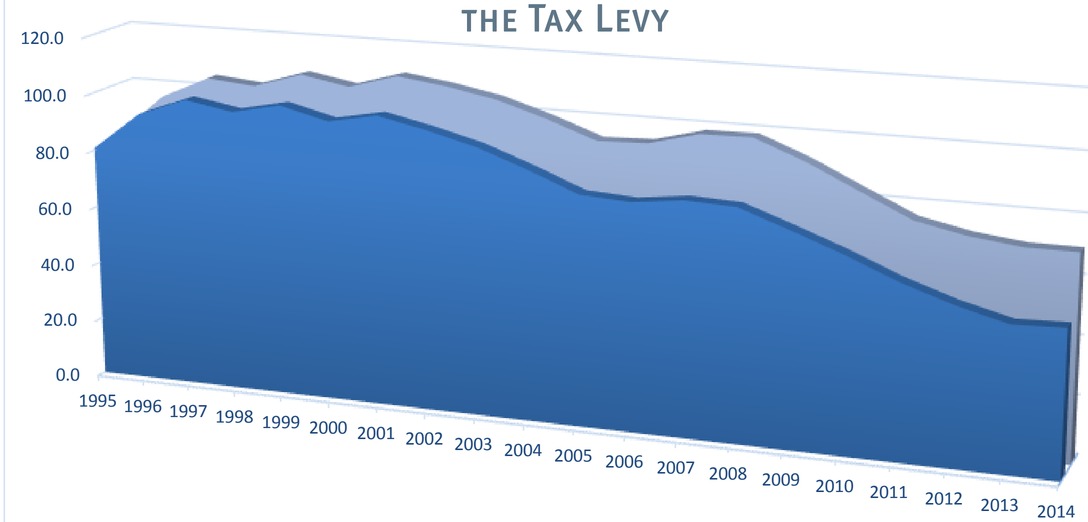
1995	Before 1995, CTPF received a dedicated tax levy directly and had a guaranteed source of revenue.
1996-2005	Pension “holiday” takes $2 billion in funds earmarked for pensions and redirects them to Chicago Public Schools (CPS) operating budget. CPS promises to pay the Chicago Teachers’ Pension Fund (CTPF) when the funded ratio falls below 90%.
1997	CTPF funded ratio reaches 100%.
2006	CTPF’s funded ratio falls and CPS begins making payments for the first time in a decade. The funding schedule includes a “ramp up” period through 2010.
2010	PA 96-0889 creates Tier II pensions and grants $1.2 billion in pension “relief” to CPS and extends the funding schedule by 14 years to 2059.
2011-2013	CPS makes required payments to CTPF at the reduced amount (about $200 million per year instead of the required $600 million).
2012	CTPF funded ratio drops to 53.9%.
	CTPF must liquidate $60-80 million in assets each month to make pension payments.
2013	CTPF funded ratio falls to 49.5%.
	CPS must pay the pension fund more than $600 million in 2014. CPS requests additional “relief” with SB1920 House Amendment #2. The measure was defeated.
2014	CPS makes full payment, a $612.5 million required contribution to CTPF. This is the first time since 2010 that CPS made a full payment to the fund. The funded ratio rises to 51.5%.

This chart shows what the CTPF funded ratio would look like had the tax levy remained in place. Today CTPF would be more than 70% funded compared to the current 51.5%.

Funded ratio without tax levy

Funded ratio with tax levy

CTPF Funded Ratio with and Without the Tax Levy



CTPF Education and Advocacy Initiative

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