TUA NEWS RELEASE

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FOR IMMEDIATE RELEASE
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Chicago Teacher Pensions Exacerbate City's Property Tax Hikes

CHICAGO—Taxpayers United of America (TUA) today released the results of its study of the Chicago Teachers' Pension Fund (CTPF). The study evaluates data collected for more than 25,000 individual pension recipients through Freedom of Information Act (FOIA) requests, analyzes the overall solvency of the pension fund, and explains how these findings relate to property tax increases for Chicago taxpayers.

"The Illinois General Assembly passed a stopgap budget that threatens to raise the state's income tax by 30% come this winter," said TUA Executive Director, Jared Labell. "That budget included opening the door for an additional $250 million property tax hike for Chicagoans, just to help reduce Chicago Public Schools' budget shortfalls and pension liabilities, although it does nothing to solve the fundamental problem. And don't forget the historic $588 million property tax increase passed by the Chicago City Council last year. Taxpayers should be alarmed by the vast sums of money flowing to retired government employees, rather than paying for current needs or services, but that's due to decades of mismanagement by politicians and the unreasonable demands of the Chicago Teachers Union (CTU)."

According to the CTPF's most recent Comprehensive Annual Financial Report (CAFR) for the year ending June 30, 2015, the unfunded liabilities grew for three reasons during the past twenty years: contribution shortfalls (50%), plan changes and experience (35%), and investment shortfalls (15%). There were 28,114 beneficiaries collecting CTPF pensions, totaling $1.3 billion in pension payments last year. The number of retirees have also increased by nearly one-third in the past decade. There are 29,706 active members currently contributing to the fund, which includes teachers, administrators, certified officials, and other CTPF staff. The average annual salary for an active member in 2015 was $72,565.

"The pension fund's own analysis states that in the past decade, the number of retired and vested members now exceed active contributors. Government pension payments to CTPF beneficiaries have increased 77% in the last ten years, jumping from $751 million in 2006 to $1.3 billion in 2015. During that same period of time, the total annual return on investments swung as low as -22% in 2009 and as high as 24.8% in 2011," said Labell.

"But even with annualized return rates of 6.6% during the past ten years, the CTPF funded ratio still remains at an abysmal 51.8%, which represents a net pension liability of more than $10 billion, having increased by a half-billion dollars since the previous year," said Labell. "These pensions are unsustainable. To fully fund these pensions, the Chicago City Council would have to drastically raise property taxes, far beyond the historic increases they have already approved, however, bankrupting taxpayers and driving property owners out of Chicago is no solution to this financial mess."

The average retirement age for these former government employees was 61, based on the data TUA obtained through FOIA requests for this study. The average annual pension was $51,454 for these government retirees, whereas the median household income for Chicagoans is $47,831. Perhaps shocking to taxpayers, but 974 of these pensioners collect more than $100,000 annually and 14,420 beneficiaries collect more than $50,000 annually.

"The government pension system is incapable of remaining afloat without massive influxes of tax dollars. Taxpayers should not be expected to foot this bill without serious and systemic reforms to prevent future catastrophic financial conditions arising from this fiasco," said Labell.

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Former Schools Superintendent Manford Byrd tops our list for the **highest current annual pension of $190,634**. He paid **$126,561** into the pension fund while employed, and he will collect a lifetime pension payout of **more than $2.5 million**, having only contributed a mere **5%** to his estimated lifetime pension payout.

Former executive director of CTPF, Kevin Huber, is currently receiving an annual pension of **$91,541**. His estimated lifetime pension payout tops our study, **totaling more than $6.1 million**. He paid **$235,332** into the pension fund, contributing only **4%** to his estimated lifetime pension payout.

Former Deputy Schools Superintendent Robert Saddler retired in 1993 at the age of 59. His current annual pension is **$169,225** and he has already collected **$2,175,932** in retirement. While employed, he contributed **$108,335** to his pension, which is roughly **$61,000** less than his current annual pension, so he will have only contributed about **4%** to his estimated lifetime pension payout.

Click here to view the list of 25,163 Chicago Teachers' Pension Fund retirees in this study.

"Taxpayers are understandably shocked by the first round of tax hikes appearing on their property tax bills this summer," said Labell. "Unfortunately, those property tax bills will grow exponentially worse if no action is taken."

"According to the Cook County Clerk's office, the average 2015 Chicago property tax bill rose by 12.8% to $3,633.19, which is more than a $400 increase from the previous year. Last year's historic property tax hike will be implemented over the next four years, so Chicagoans haven't even begun to feel the worst of it. Combine those scheduled increases with other proposed property tax hikes for teacher pensions and other city employees, and the result is a toxic blend of bad news for Chicago's finances and taxpayers," said Labell.

"Now is the time for taxpayers to talk to their neighbors, their elected officials, and other property owners. Taxpayers must demand accountability from CPS, CTU, the Chicago City Council, and Mayor Emanuel. If we do not act now, taxpayers risk being taxed out of their homes to prop up the city's insolvent teachers' pension fund."