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AN OPEN LETTER

February 10, 2006

Hon. Richard M. Daley, Mayor
City of Chicago
121 N. LaSalle, 5th Floor
Chicago, IL 60602

Dear Mayor Daley:

As a retired teacher, I am very much concerned by School Superintendent Arne Duncan's proposal to skip the required payments into the Chicago Teachers Pension Fund. In particular, I wonder if this has been adequately thought through to its logical conclusion.

The pension fund's liabilities consist of teacher pensions, which are guaranteed by the Illinois Constitution. Therefore, sooner or later, they must all be paid. If the Chicago Teachers Pension Fund cannot pay them, then the State must do so.

As you are also aware, the Chicago Teachers Pension Fund no longer has enough money to cover all of its liabilities, due in large measure to the well over \$1 billion that has already been diverted from the pension fund to the Chicago Public Schools.

I would call your attention to the fact that for many years the Chicago Teachers Pension Fund has had a stellar record of earnings on funds under its control. Since its current earnings of 15% annually cannot be earned on any money borrowed from it, the fund's assets drop by both the amount borrowed and the 15% interest it loses. Net annual additional loss to the fund, which must ultimately be made up by the state's taxpayers: 15% per annum.

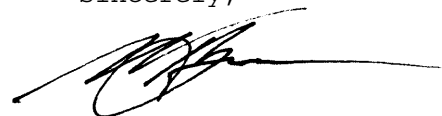
It would almost be cheaper for Mr. Duncan to get the funds he needs from a cash advance on his Visa card.

Typically, municipal bonds are now paying about 6%. If these were used to raise the cash Mr. Duncan says he needs, it would save Illinois taxpayers 9% each year, on enormous sums of money.

Have you considered all this?

Thank you for reading this letter.

Sincerely,



VKB:s