

I-Team questions and answers from CTU spokesman Matthew Luskin:

1. Considering those common investments with what the CTU calls “predatory” institutions, why was Bank of America singled out today?

This was not just a blanket criticism of all banks as “predatory.” For years now, the CTU has raising the alarm about the cost of fraudulent “interest rate swap” deals at CPS.

Bank of America is one of five banks that have taken over \$500 million in profits from Chicago Public Schools through predatory toxic swaps. This is the same amount as the budget hole the Mayor claims he is trying to fill.

CTU was at Bank of America because it’s the only one of the five banks holding toxic swap deals with CPS where our union had an account. We wanted to set an example for CPS and the city to follow. Bank of America also profits at taxpayer expense with costly swaps with both the City and the State of Illinois. We believe CPS and City government should join us in refusing them future business until this money is returned to our students.

We believe toxic swap losses can be recovered by legal action on the part of the Board of Education and the Mayor due to the banks’ misrepresentation of risks associated with these deals. Legal action has been taken or been threatened to press banks for settlements worth hundreds of million in other cities across the country (including Philadelphia, Houston, San Francisco and Detroit). But even without legal action, the Mayor and his Board have a tremendous ability to pressure these banks to do the right thing for our schools, but they have chosen time and again not to act.

They could easily follow our example and announce there will be no further CPS or city business with banks that refuse to negotiate a return of toxic swap profits. While other cities wage legal battles, the Board of Education has refused to so much as ask these banks to return money taken through fraudulent deals. They demand that CTU agree to cuts for our members and increased class sizes for our students, but refused to join us in even the most simple steps to advocate for CPS funding when it cuts against the interests of the wealthy or the big banks.

2. Why hasn’t CTU stripped it’s pension portfolio of all of those common investments that are said to be “toxic?”

A clarification: The Chicago Teachers Pension Fund is a separate entity from the CTU and not under the control of the union. There are CTU members that sit on its Board of Trustees, just as there are representatives of the Board of Education, principals and administrators, etc.

While CTU does not control CTPF investments, we are proud that the CTU members that serve as trustees have helped move the fund toward responsible and progressive investment strategies. On recent step taken by the Pension Fund was the filing of an important lawsuit against major banks for their swap pricing practices.

3. Why isn’t it hypocritical for the CTU to go after other entities for one investment when the union maintains other, identical investments?

Hopefully I've clarified, but CTU does not have identical investments in the other banks that have taken half a billion dollars in toxic swap profit from CPS. Those other banks are Goldman Sachs, Royal Bank of Canada, Deutsche Bank and Loop Financial. We certainly demand the return of those funds as well.

But B of A was one of the most egregious actors and its violations are well-documented. Internal Bank of America memos show that they knew that the market for these types of financing schemes was headed for a "meltdown" when they sold the deals to CPS. They knowingly sold us bad deals that cost us millions of dollars. That's illegal. Furthermore, they illegally colluded with other banks to manipulate the interest rates that the swaps were based on, which also cost CPS millions of dollars.