



# TIER 2 FAQ

**What is Tier 2?** In 2010, Springfield politicians created a “Tier 2” of lower pension benefits in an attempt to fix the state’s financial problems by cutting benefits for public workers like teachers, fire fighters, nurses and many more. Tier 2 made a variety of cuts and changes to public employee pension benefits as compared to Tier 1. These changes vary based on the pension plan, but generally include:

- Higher retirement ages and longer terms of service required to receive a full pension benefit
- Lower cost of living adjustments for retirees
- The creation of a maximum pensionable salary cap
- Longer time periods used to calculate the final average salary for pension benefits

**How do I know if I am Tier 1 or Tier 2?** Generally speaking, Tier 1 members are public employees who began participation in an Illinois public pension plan prior to Jan. 1, 2011, and Tier 2 members are public employees who started employment on or after Jan. 1, 2011.

**Why do we need to “Fix Tier 2?”** Tier 2 participants do the same jobs as Tier 1 participants, but receive lesser benefits that don’t keep up with rapidly rising costs. That makes it harder for retirees to pay for things like food and medications. Despite receiving diminished benefits, Tier 2 participants must pay the same amount into the pension fund as those who are on Tier 1. In all, Tier 2’s lesser benefits make it harder to recruit and retain public employees for key roles in our community, resulting in worse services for residents. Fixing Tier 2 means investing in a stronger state with better services for all.

**What is the “Safe Harbor” provision? Would addressing that issue be enough to Fix Tier 2?** Because many Illinois public employees aren’t eligible for Social Security, they must receive retirement benefits at least equivalent to Social Security benefits, as determined by a “Safe Harbor” test. There is widespread concern that the Tier 2 benefit is so low that it violates Safe Harbor, leaving the state vulnerable to a potentially expensive lawsuit. But simply fixing the Safe Harbor problem would only impact a small sliver of the highest wage-earning workers. Plus, a benefit that merely replaces Social Security fails to provide sufficient income for a secure retirement. Tier 2 as a whole is broken, so we must ensure that the whole system is fixed, not just Safe Harbor.

**What specifically can we do to Fix Tier 2?** Right now, the most important thing is for active and retired union members and allies to sound the alarm to legislators, letting them know that Tier 2 is broken and must be fixed. The specifics of legislation to do so will be determined. We Are One Illinois and the unions in our coalition will continue to be the best source for information and action alerts.

**What is We Are One Illinois?** Led by the Illinois AFL-CIO, We Are One Illinois is a coalition of unions representing active and retired public employees, fighting for fairness and a secure retirement for all who serve our communities.