



# TIER 2 PENSIONS: THE HISTORY

## BACKGROUND

Employees hired after January 1, 2011 by the State of Illinois, school districts, and public community colleges or universities, and municipalities are in Tier 2 of their respective pension systems. Currently, nearly half of all public employees are in Tier 2.

Employees in Tier 2 cannot retire with full benefits until they are 67; their colleagues in Tier 1 can retire as early as 55. Upon retirement, Tier 2 employees will also receive a lower pension benefit than their Tier 1 colleagues because of the way the law calculates their pensionable salary and cost of living increases after retirement.

This deeply unfair Tier 2 pension structure has worsened the recruitment and retention crisis impacting public employees. Under the current structure, some Tier 2 employees will not even receive the value of their personal contributions to the pension system. And most Tier 2 employees are not eligible to receive Social Security, so their pension is all they have to rely on in retirement.

## WHAT WE ARE DOING

Our governor and legislature must address this inequity. To that end, SEIU Local 73 has convened a coalition of labor partners to develop a strategic plan to introduce a bill in the General Assembly that would improve benefits for employees in Tier 2.

### **A few of the legislative options under consideration include:**

- Lowering the retirement age from 67
- Raising the pensionable salary cap to avoid federal “safe harbor” issues
- Raising cost of living increases after retirement
- Reducing the number of years for final average salary currently used to calculate a workers pension

SEIU Local 73 and our coalition partners have launched a Tier 2 improvement campaign to organize members, lobby elected officials, and gather support across Illinois to make much-needed changes to Tier 2. It won't be a quick fix, but SEIU Local 73 is committed to fighting until we achieve retirement justice for all. Stay tuned for details about how you can help.