



The Fair Retirement and Recruitment Act **Q&A**

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.

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, firefighters, 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

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, and many Tier 2 participants do not receive Social Security. 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 does this legislation do? There are a number of elements to the bill, but the four key provisions include:

- Bringing the final average salary pension calculation back in line with Tier 1
- Aligning the Tier 2 retirement age requirements with Tier 1
- Implementing an across-the-board 3% simple cost of living adjustment for all Tier 2 members.
- Adjusting the pension salary cap to match the Social Security Wage Base, addressing the so-called “Safe Harbor” problem.

In addition to the key elements above, the bill makes a number of minor but meaningful changes to the pension code to address issues specific to particular job titles or pensions concerns.

How much will these changes cost? How will we pay for the changes? The We Are One Illinois coalition is working with research entities to determine the exact cost of this legislation proposal; however, we know that the longer we wait to address these issues, the more



expensive they become. The We Are One Illinois coalition is ready to work with lawmakers and other stakeholders to find solutions to ensure these changes are made in a fiscally responsible manner, whether through refinancing debt, finding efficiencies in the pension systems or identifying new revenues. No one is more invested in the financial health of Illinois' pension systems than the public employees who will rely on those systems in retirement.

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.