



Position Paper: Addressing the Challenges of the Tier 2 Pension System for Illinois Community College Faculty

Illinois Community College Faculty Association (ICCFA)

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Executive Summary

The Illinois Community College Faculty Association (ICCFA) advocates for comprehensive reforms to the Tier 2 pension system implemented in 2011. While intended to address fiscal challenges, the Tier 2 system has inadvertently created disparities affecting community college faculty, leading to recruitment and retention issues, and potentially jeopardizing retirement security. Reforming Tier 2 is essential to ensure equitable retirement benefits, maintain a robust educational workforce, and comply with federal standards.

Key reasons for ICCFA's support include:

1. **Equity and Fairness** – Tier 2 employees contribute the same percentage of their salaries toward pensions as Tier 1 employees but receive reduced benefits, including higher retirement ages and lower cost-of-living adjustments (COLAs) (Labor Tribune, 2024).
2. **Recruitment and Retention** – The diminished benefits under Tier 2 have made careers in education less attractive, exacerbating teacher shortages and hindering the ability to attract and retain qualified faculty (Illinois Education Association, n.d.).
3. **Federal Compliance Concerns** – There is growing concern that Tier 2 benefits may not meet the federal "safe harbor" standards, which require non-Social Security participants to receive benefits at least equivalent to Social Security (Illinois Policy, 2024).

ICCFA urges state policymakers to enact legislative reforms that address these disparities, ensuring a fair and competitive pension system for all community college faculty.

Faculty Perspectives on the Tier 2 Pension System

A. Equity and Fairness

1. **Disparity in Benefits** – Tier 2 employees are required to work longer—until age 67—to receive full benefits, compared to earlier retirement ages for Tier 1 employees (Labor Tribune, 2024).
2. **Equal Contributions, Unequal Returns** – Despite contributing equally to the pension system, Tier 2 members receive significantly lower benefits, raising concerns about fairness and equity (Capitol Fax, 2025).

B. Recruitment and Retention Challenges

1. **Impact on Workforce** – The less favorable Tier 2 benefits have been linked to difficulties in recruiting and retaining educators, as potential hires seek more secure retirement options elsewhere (Illinois Education Association, n.d.).
2. **Exacerbating Shortages** – The pension disparities contribute to the ongoing teacher shortage crisis, affecting the quality of education and student outcomes (The Illinoisize, 2024).

C. Federal Compliance Issues

1. **Safe Harbor Concerns** – Many Tier 2 employees do not qualify for Social Security, and their current pension benefits may fall short of federal requirements, potentially exposing the state to legal and financial repercussions (Fix Tier 2, 2024).
2. **Financial Implications** – Failure to comply with federal standards could result in significant additional costs, including mandatory Social Security contributions (Illinois Policy, 2024).

Recommendations

1. **Align Tier 2 Benefits with Tier 1**
 - **Adjust Retirement Age** – Lower the retirement age for Tier 2 employees to match that of Tier 1, acknowledging the physical and mental demands of educational professions.
 - **Enhance COLAs** – Implement compounded cost-of-living adjustments to ensure retirees' benefits keep pace with inflation.
2. **Ensure Federal Compliance**
 - **Review and Adjust Benefits** – Conduct a comprehensive review of Tier 2 benefits to ensure they meet or exceed Social Security equivalency, thereby maintaining “safe harbor” status.

- **Regular Monitoring** – Establish a task force to continuously monitor compliance and recommend timely adjustments as needed.
3. **Enhance Recruitment and Retention**
- **Competitive Benefits Package** – Offer a pension plan that is competitive with neighboring states to attract and retain top talent in education.
 - **Public Awareness Campaign** – Highlight the value of community college faculty and the importance of equitable retirement benefits in maintaining educational excellence.
4. **Financial Planning and Sustainability**
- **Actuarial Analysis** – Conduct a thorough actuarial study to assess the long-term costs and savings associated with proposed Tier 2 reforms.
 - **Collaborative Funding Solutions** – Engage stakeholders, including legislators, educational institutions, and unions, to develop sustainable funding strategies that balance fiscal responsibility with fair compensation.
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Conclusion

Reforming the Tier 2 pension system is imperative to ensure fairness, attract and retain qualified community college faculty, and comply with federal regulations. The ICCFA calls on state policymakers to prioritize these reforms, securing a stable and equitable future for Illinois' educational workforce.

References

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