Protecting Earned Pension Benefits

A plain-language summary of Illinois pension protections, Tier 2 concerns, and PAG's legislative priorities for CTPF members.

Core Principle:

Membership in an Illinois public pension system is an enforceable contractual relationship, and benefits cannot be diminished or impaired.

Source: Illinois Constitution, Article XIII, Section 5

Why This Matters

For Chicago educators, a pension is not a bonus or optional perk. It is earned deferred compensation in an annuity agreement (a guaranteed income when you retire or are disabled and can no longer do the job), built through years of service and required contributions. For many members, it is also a primary source of income for their retirement security.

Today, both a 403(b) plan and a CTPF pension can be considered forms of deferred compensation, **which can create confusion for consumers.**

The Legal Foundation

The Illinois Pension Code, 40 ILCS 5, establishes the legal framework governing public retirement systems in Illinois, including the Chicago Teachers' Pension Fund (CTPF).

- It sets rules for pension administration, funding, benefit calculations, investments, and member rights.
- It defines fiduciary duties for trustees and those responsible for managing pension assets.
- It applies to public retirement systems across Illinois, including systems serving teachers, state employees, and municipal employees.
- It treats pension membership as a binding contractual relationship protected by the Illinois Constitution.

Constitutional Protection

Illinois provides unusually strong constitutional protection for public pension membership. Article XIII, Section 5 states that public pension benefits cannot be "diminished or impaired." Those protections begin once an employee becomes a member of the system.

The Illinois Supreme Court reinforced this principle in In re Pension Reform Litigation, 2015 IL 118585, which struck down legislation that reduced previously promised benefits.

Clear Public Language Matters

Public communication should more clearly recognize pension benefits as earned deferred compensation annuity agreement. Members deserve language that reflects the contractual and earned nature of their retirement structure, rather than language that minimizes or obscures those rights.

Why PAG Is Engaged

PAG exists because members deserve to understand the system that holds their earned benefits and to expect transparency, accountability, and responsible governance from those trusted to manage it.

- The CTPF is 130 years of seasoned compounded earned wages and inheritance. It's the inheritance left to ensure we can afford to recruit and retain subject matter experts to teach our students and ensure a world-class education system that could compete in a global economy.
- Public confidence depends on clear communication and accurate public terminology.
- Retirement security depends on sound funding, prudent investment management, and fiduciary accountability.
- Members, retirees, beneficiaries, and future educators deserve a system that is fair, understandable, and strong over the long term.

PAG's Concern About Tier 2 and CTPF Funding Health

Illinois' two-tier structure affects retirement age, salary calculations, annual increases, and retirement protection for newer educators.

We believe Tier 2 raises serious fairness, adequacy, and retirement-security concerns for newer educators. While Tier 2 members remain in a defined benefit system, they face a less protective path to retirement than Tier 1 members.

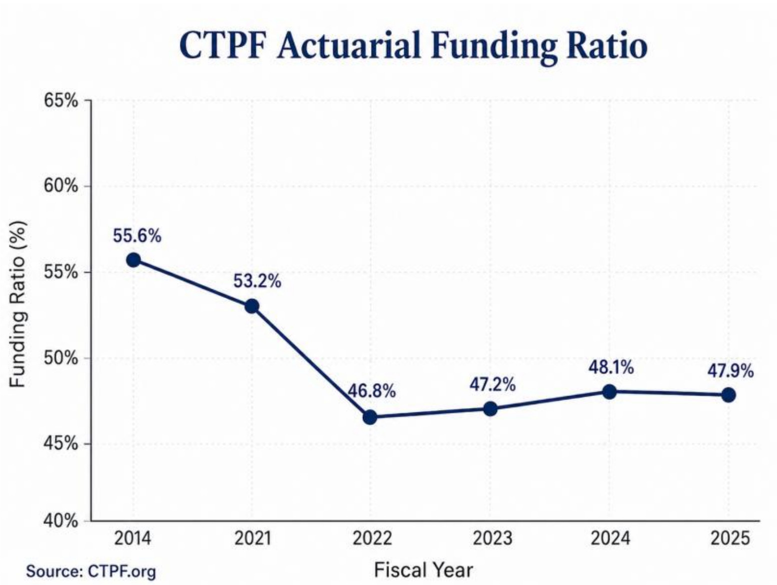
- Newer members may work longer, retire later, and receive lower retirement value under a different annual increase structure.
- Tier 2 creates unequal membership within the same pension system.
- The structure can affect recruitment, retention, and long-term confidence in the teaching profession and the pension system that supports it.

Tier 2 was designed as legislative maneuver that would allow CTPF to be transformed from a deferred compensation annuity insurance to a subprime deferred compensation retirement instrument such as 401(k) and 403(b). Congress created Section 401(k) in 1978, but it was not originally intended to become the retirement system we know today. Ted Benna recognized the potential of a designed plan that allowed employees to contribute part of their pay before taxes.

The deferred compensation annuity agreement (pension) guarantees predictable retirement income.

How Tier 2 Repeal Connects to CTPF Funding Health

The actuarial funding ratio is a key measure of CTPF's financial health. A higher ratio generally reflects stronger funding progress, while a lower ratio signals a larger gap between available assets and long-term obligations.



Tier 2 is both a fairness issue and a long-term funding issue. Repealing Tier 2 would restore equal membership, support recruitment and retention, and increase the number of educators participating in a shared, collectively invested pension system. A stronger and more equitable membership base can help support long-term contributions, expand assets available for institutional investment, and improve CTPF's ability to meet future pension obligations.

PAG Position:

PAG supports legislative review and repeal of Tier 2. Reform should be viewed as part of a broader effort to protect earned benefits, strengthen retirement security, and support the long-term health of CTPF.

PAG’s 2026 Legislative Priorities

A clear legislative message: protect earned benefits, review Tier 2, strengthen transparency, and preserve CTPF as a strong defined benefit pension system.

PAG Urges Legislators To:

✓ **Protect constitutional pension rights**
Preserve the enforceable contractual relationship guaranteed by the Illinois Constitution and safeguard earned benefits from diminishment or impairment.

✓ **Review and repeal Tier 2**
Address fairness, adequacy, recruitment, retention, and retirement-security concerns affecting newer educators.

✓ **Preserve CTPF as a strong defined benefit pension system**
Support the retirement structure that provides lifetime income based on service, salary history, and statutory pension rules.

✓ **Strengthen fiduciary accountability and transparency**
Support clear reporting, responsible oversight, trustee accountability, and public access to information about pension governance and funding.

✓ **Use accurate public language**
Recognize public pensions as earned deferred compensation built through public service and member contributions.

Core Legislative Principle

Membership in CTPF is part of a constitutionally protected public pension system. Benefits earned through public service represent deferred compensation, and public policy should safeguard those benefits through transparent administration, fiduciary accountability, and strong retirement-security protections.

Sources & References

- Illinois Constitution, Article XIII, Section 5
- Illinois Pension Code, 40 ILCS 5
- In re Pension Reform Litigation, 2015 IL 118585
- CTPF Tier 1 vs. Tier 2 Pensions
- CTPF Actuarial Reports

Learn More About PAG

For background on PAG’s mission and educational resources, visit pensionadvocacygroup.org.

This fact sheet is intended as an educational and advocacy resource and summarizes PAG’s position in plain language for legislators and stakeholders.