



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: HB 4390

February 26, 2026

SPONSOR: Cabello

SYSTEM: Illinois Municipal Retirement Fund (IMRF)

FISCAL IMPACT

HB 4390 amends the IMRF article to increase the Tier 2 SLEP salary cap to \$145,649.97 plus the lesser of 3% of that amount or the full CPI-U, beginning January 1, 2027. Each year thereafter, the annual increase in the cap would be the lesser of 3% or the full CPI-U (rather than ½ of the CPI-U under current law). Tier 2 SLEP members who earned benefits during 2012 through 2026 would be allowed to have recalculated benefits based on the Article 3 salary cap of each applicable year (as the updated SLEP salary cap structure would be identical to that of Article 3). In other words, the salary cap structure would retroactively apply to Tier 2 SLEP members for service earned during the same time period.

As of the end of 2025, IMRF reports that approximately 1% of active Tier 2 SLEP participants (65 out of 4,710) have pensionable salaries over the current cap of \$129,192.26. IMRF similarly reported that as of the end of 2025 there are currently 19 Tier 2 SLEP annuitants, but it is not known how many had a pensionable salary over the current cap. Accordingly, HB 4390 would have a negative, but negligible impact on IMRF's liabilities due to the small number of affected members.

SUBJECT MATTER: HB 4390 amends the IMRF Article of the Illinois Pension Code to increase the Tier 2 Sheriff's Law Enforcement Personnel (SLEP) salary cap beginning January 1, 2027, to \$145,649.97 plus the lesser of 3% of that amount or the **full** CPI-U, and to provide for annual increases thereafter by the same formula (rather than the lesser of 3% or ½ of the CPI-U under current law). This legislation also stipulates, as soon as practical, those Tier 2 SLEP members who earned benefits during 2012 through 2026 shall have their benefits recalculated based on the Article

3 salary cap of each applicable year (as the updated SLEP salary cap structure would be identical to that of Article 3). However, there would be no retroactive adjustments of any employee contributions. This amendatory Act may be referred to as the Pension Equity Act.

COMMENT: Under current law, the Tier 2 pensionable salary cap for IMRF participants, including IMRF SLEP members, was initially set at \$106,800 in Calendar Year (CY) 2011. This amount has increased annually by the lesser of 3% or ½ of the CPI-U and is currently capped at \$129,192.26 as of CY 2026.

In contrast, Tier 2 public safety employees under Articles 3 and 4 (Downstate Police and Fire) and Articles 5 and 6 (Chicago Police and Fire) are subject to a higher salary cap of \$145,649.97 for CY 2026, which increases annually by the lesser of 3% or the full CPI-U.

P.A. 101-0610 (effective January 1, 2020), along with establishing both the Illinois Firefighters' Pension Investment Fund (IFPIF) and the Illinois Police Officers' Pension Investment Fund (IPOPIF), included certain Tier 2 benefit enhancements. Most relevant to HB 4390, P.A. 101-0610 retroactively raised the Articles 3 and 4 Tier 2 salary caps to the lesser of 3% or the full CPI-U instead of half the CPI-U as was done previously. Thus, the CY 2026 salary cap is \$145,649.97, and the salary cap of previous years such as CY 2017 was retroactively raised from \$112,408.42 to \$117,213.10. Notably, P.A. 101-0610 did not allow for a retroactive increase in employee contributions.

P.A. 104-0065 (effective August 1, 2025) aligned the Tier 2 salary cap structure for Articles 5 and 6 with that applicable to Articles 3 and 4. However, unlike Articles 3 and 4, where the salary cap adjusts on January 1 of each calendar year, the revised base cap for Articles 5 and 6 became effective July 1, 2025. Accordingly, the CY 2025 cap of \$141,407.74—the amount that applied to Articles 3 and 4 in CY 2025—applies to Articles 5 and 6 from July 1, 2025 through June 30, 2026, and the updated CY 2026 cap of \$145,649.97 takes effect July 1, 2026.

HB 4390 would place IMRF Tier 2 SLEP participants on the same salary cap structure as other Tier 2 public safety employees under Articles 3 through 6. This bill would also allow Tier 2 SLEP members who earned benefits for 2012 through 2026 to have their benefits recalculated based on the Article 3 salary cap in effect for each applicable year. The retroactive recalculation would be permitted beginning in 2012 because the Tier 2 base salary cap for all pension funds was initially set at \$106,800 in CY 2011, meaning the CY 2011 cap was identical across pension funds, regardless of the applicable annual increase formula. Starting in CY 2027, the IMRF Tier 2 SLEP salary cap would equal \$145,649.97 (the CY 2026 salary cap for Articles 3-6) plus the lesser of 3% or the full CPI-U, and henceforth the annual increase would be the lesser of 3% or the full CPI-U.

A comparison of both the annual increase and the Tier 2 salary cap for the aforementioned funds is provided in the two tables on the following page:

Table 1

Tier 2 Salary Cap Annual Increase CY 2027 onward			
Current Law			HB 4390
IMRF	Articles 5-6	Articles 3-4	IMRF SLEP
lesser of 3% or half of the CPI-U	lesser of 3% or the full CPI-U		

Table 2

Calendar Year (CY)	Tier 2 Salary Cap for relevant funds			
	Current Law			HB 4390
	IMRF	Articles 5-6	Articles 3-4	IMRF SLEP*
CY 2011	\$106,800.00			
CY 2012	\$108,882.60			\$110,004.00
CY 2013	\$109,971.43			\$112,204.08
CY 2014	\$110,631.26			\$113,550.53
CY 2015	\$111,571.63			\$115,480.89
CY 2016	\$111,571.63			\$115,480.89
CY 2017	\$112,408.42			\$117,213.10
CY 2018	\$113,644.91			\$119,791.97
CY 2019	\$114,951.83			\$122,547.00
CY 2020	\$115,928.92			\$124,630.30
CY 2021	\$116,740.42			\$126,375.12
CY 2022	\$119,892.41			\$130,166.37
CY 2023	\$123,489.18			\$134,071.36
CY 2024	\$125,773.73			\$138,093.50
CY 2025	\$127,283.01			\$141,407.74
July 1, 2025	\$127,283.01	\$141,407.74**		
CY 2026	\$129,192.26	\$145,649.97**		\$145,649.97
CY 2027	\$129,192.26 plus lesser of 3% or half of the CPI-U	\$145,649.97 plus lesser of 3% or the full CPI-U**		

*The updated salary cap structure would apply retroactively.

**For Articles 5 & 6, beginning July 1, 2025, the annual adjustment occurs each July 1 rather than January 1. For example, from July 1, 2025, through June 30, 2026, the cap is \$141,407.74, and the CY 2026 cap of \$145,649.97 becomes effective July 1, 2026.

HB 4390 is nearly identical to HB 4384, with the only substantive difference being that HB 4384 applies prospectively beginning January 1, 2027, and shall not entitle Tier 2 SLEP members who earned benefits during 2012 through 2026 to any recalculated benefits above the current salary cap.

RF:bs

LRB104 16796 RPS 30205 b