



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **HB 4892**

March 10, 2026

SPONSOR (S): Stuart

SYSTEM: State Universities Retirement System (SURS)

FISCAL IMPACT

HB 4892 would have an indeterminable fiscal impact on the Fund. Although SURS estimates that as of June 30, 2025, 16,009 Tier 1 members and 847 Tier 2 members meet the age and service requirements for retirement, it is unknown how many of these eligible members would opt to join DROP. An actuarial study would be required to determine the estimated fiscal impact of the bill.

SUBJECT MATTER: HB 4892 amends the State Universities Retirement System (SURS) Article of the Illinois Pension Code to create a Deferred Retirement Option Plan (DROP) for eligible members of SURS.

COMMENT:

DROP Explanation

- Deferred Retirement Option Plans (DROP) are designed to encourage continued employment past the eligible retirement age for a period of time (usually 3-5 years). Below is a summary of the salient features of DROP plans:
 - Workers continue to draw a salary but are considered retired (for annuity purposes);
 - The pension annuity amount the worker is entitled to receive starting on the date they are considered “retired” (DROP date) is credited to the member’s individual DROP account; and

- Upon completion of the DROP period, the member's DROP account balance is available in a lump-sum amount, which can be distributed in any of the following ways:
 - a one-time payment;
 - a payment plan over time;
 - a payment rolled into an IRA.

HB 4892 DROP Provisions

- No later than July 1, 2027, a DROP plan will be made available in the State Universities Retirement System, regardless of Tier status. Eligible participants must meet the following criteria:
 - The member must be eligible to retire under the SURS Traditional or Portable DB plan;
 - The member must have not received retirement annuity under SURS; and
 - DROP participants must make active member contributions to SURS for the entirety of the DROP period. DROP participants do not accrue additional service credit during the DROP period.
- The contributions made by the employee during the DROP period are in an amount equal to the employee contributions otherwise required of the participant if they were not participating in DROP.
 - Amounts shall be credited to the member's DROP account;
 - Any interest accrued by the System in holding the notional DROP account shall be used by the System to offset any administrative costs of managing the DROP program and shall reduce the amounts collected by the System. Any interest accrued that is greater than the administrative costs shall otherwise be used to offset the costs of the System.
- Participation in the DROP must be elected by the eligible members no later than July 1, 2030 and is irrevocable. A DROP participant may not access the account prior to the expiration of the designated DROP period, unless DROP participation terminates because:
 - The DROP participant terminates employment prior to the expiration of the designated DROP period;
 - The DROP participant becomes eligible for and begins collecting a disability benefit from the retirement system; or
 - The death of the DROP participant occurs during the designated DROP period.
- The DROP duration is not to exceed 5 years.
- Individual DROP accounts shall consist of:
 - The monthly retirement annuity the participant would have been eligible to receive if the participant had terminated service (by retiring) on the date of participation in the DROP, less any deductions under State or federal law such as payments under a Qualified Illinois Domestic Relations Order (QILDRO);
 - Employee contributions paid by the participant and credited to the member's notional account during the DROP period; and

- Any auto-increases the member would have been eligible to receive if the participant had terminated service on the date he or she entered the DROP.
- Upon expiration or termination of the member's participation in the DROP, the member will receive the balance of the DROP account as a lump-sum. The balance consists of the retirement annuity that the member would have received had they retired on the date they entered the DROP, including applicable automatic increases accrued during the DROP duration, less any deductions required under State or federal law such as a QILDRO, as well as employee contributions credited to the account.
 - Expiration or termination of a DROP member's participation in the DROP may not occur after January 1, 2036.
 - SURS shall provide options for the transfer of the DROP account in compliance with applicable State or federal law while meeting its fiduciary duty.
- The Board may transfer the administrative responsibility of the DROP to the State Treasurer on an affirmative vote of the Board.

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