



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **HB 5196, as amended by HA 1**

March 13, 2026

SPONSOR: Morgan

SYSTEM: State Employees' Retirement System (SERS), State Universities Retirement System (SURS), and Teachers' Retirement System (TRS)

FISCAL IMPACT

HB 5196, as amended by HA 1, would extend the Accelerated Pension Buyout programs for two additional years, through June 30, 2028, and authorize an additional \$700 million in State Pension Obligation Acceleration Bonds to pay for the buyouts, bringing the total bond authorization for these programs to \$2.9 billion.

According to SERS, SURS, and TRS, the programs have resulted in an estimated \$2.6 billion reduction in liabilities and required approximately \$2 billion in buyout payments, based on the most recently provided data from each system (ranging from June 2025 to January 2026) as shown in the table below (additional data is provided in the Comment section).

System	Estimated Liability Reduction	Buyout Payments
SERS	\$1.0B	\$707.2M
SURS	\$68.8M	\$52.9M
TRS	\$1.5B	\$1.3B
Total	\$2.6B	\$2.0B

Given the experience of the buyout programs to date, it may be reasonable to anticipate similar participation patterns during the extended period under HA 1, which could help reduce the liability. However, estimating the precise reduction in pension liabilities is uncertain by nature, as participation is voluntary and individual member decisions play a significant role in determining overall program impact.

SUBJECT MATTER: HB 5196, as amended by HA 1, amends the State Employees' Retirement System (SERS), State Universities Retirement System (SURS), and Teachers' Retirement System (TRS) Articles of the Illinois Pension Code to extend the Accelerated Pension Benefit Buyout programs for two more years, through June 30, 2028. The bill further authorizes an additional \$700 million in State Pension Obligation Acceleration Bonds to fund the lump-sum payments to those who opt into either buyout program.

COMMENT: Public Act 100-587 (eff. June 4, 2018), created two voluntary Accelerated Pension Benefit Buyout programs for the "Big 3" systems (SERS, SURS, and TRS), often referred to simply as the "COLA" buyout and the "Total" buyout.

- **COLA Buyout:** A Tier 1 participant may elect to receive a lump sum equal to 70% of the difference in the present value between the 3% compounded COLA and a reduced COLA of 1.5% simple, as calculated by the applicable retirement fund. Upon such election the participant's COLA is permanently reduced to a 1.5% simple for the duration of their retirement. The reduced COLA shall begin on January 1st of either their attainment of age 67 or the first anniversary of the annuity start date, whichever is later.
- **Total Buyout:** An eligible member (generally an inactive, vested member) may elect to waive all future pension benefits in exchange for a lump sum equal to 60% of the present value of their entire pension benefit.

The buyout programs were originally set to expire on June 30, 2021. P.A. 101-10 (eff. June 5, 2019) extended the programs to June 30, 2024, and P.A. 102-718 (eff. May 5, 2022) further extended them to June 30, 2026. Elections under both programs are irrevocable.

HB 5196, as amended by HA 1, would extend both programs further to June 30, 2028, and additionally authorize \$700 million in State Pension Obligation Acceleration Bonds to pay for the buyout programs.

The bond authorization was initially set at \$1 billion by P.A. 100-587 (the Act that created the programs, as noted above), increased by an additional \$1 billion under P.A. 102-718, and further increased by \$200 million pursuant to P.A. 104-8 (eff. January 1, 2026), for a current total authorization of \$2.2 billion. The additional \$700 million authorization under HB 5196, as amended by HA 1, would bring the total authorization to \$2.9 billion.

For information on the number of participants that have opted into the programs and the fiscal impact, please refer to Table 1 on the following page.

Table 1:

Accelerated Pension Buyout Program Participation Data (All 3 Systems) 2019 – 2025*			
	COLA Buyout	Total Buyout	Total
Buyout Recipients	11,872	3,161	15,033
All numbers below are in millions of dollars			
Estimated Reduction in Liability	\$2,581		
Buyout Payments	\$1,612	\$432	\$2,044

*Note that the data from all three funds comes from different dates: SERS is as of end of Dec. 2025, TRS is as of end of January, 2026, and SURS is as of the end of June, 2025.

During the year 2025 alone, SERS reported that 859 annuitants applied for and received the COLA buyout while 50 eligible members applied for and received the Total buyout. SURS reports 35 and 32 buyouts in the respective categories as well.

Each system made participation assumptions regarding the pension buyout plans in its respective 2025 actuarial valuation. These assumptions are illustrated in the table below:

Table 2:

System	Total Pension Buyout Plan	COLA Buyout
TRS	10% of eligible Tier 1 and Tier 2 future inactive members	25% of eligible Tier 1 members
SURS	0% of eligible inactive members	0% of eligible Tier 1 members
SERS	4% of eligible Tier 1 and Tier 2 inactive members	<ul style="list-style-type: none"> • 20% of eligible Tier 1 Regular formula members; • 45% of eligible Tier 1 non-coordinated Alternative formula members; and • 40% of eligible Tier 1 coordinated Alternative formula members

HB 5196, as amended by HA 1, is a twin bill to SB 2950 and is substantially identical to the underlying bill of HB 5196, except that HA 1 extends the sunset date to FY 2028 and authorizes \$700 million in State Pension Obligation Acceleration Bonds, while the underlying bill extends the sunset date to FY 2030 and authorizes \$1 billion.

JB:bs

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