



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: SB 3388

April 15, 2026

SPONSOR (S): Li Arellano, Jr.

SYSTEM: Downstate Police, Downstate Fire, Illinois Municipal Retirement Fund (IMRF)

FISCAL IMPACT

SB 3388 establishes two options for accelerated pension benefit payments within Downstate Police, Downstate Fire, and IMRF. Although there is no aggregate actuarial study for all affected pension funds, the actuary for IMRF completed a study on the provisions of SB 3430, a bill similar to SB 3388, and the financial impact the bill would have on IMRF. While both bills create these two buyout plans within multiple articles of the Pension Code, the study examines the financial impact to IMRF exclusively. The main difference between the provisions of the IMRF buyout programs contained within SB 3388 and SB 3430 is the length of the eligibility window of the programs, with SB 3388 allowing members to elect to participate up to 3 years after the effective date of the law, while SB 3430 offers June 30, 2030 as the end of the window. Both bills become effective upon becoming law.

To investigate the financial impact of the bill, the IMRF actuarial study offers 3 scenarios for each buyout program. For the purposes of this analysis, Scenarios 1 and 3 will be shown to cover the minimum and maximum estimates of the financial impact. Scenario 1 assumes that 10% of eligible vested members elect to receive the Total Buyout, while 15% of eligible vested members elect to receive the COLA Buyout. Scenario 3 assumes that 30% of eligible vested members elect to receive the Total Buyout, while 35% of eligible vested members elect to receive the COLA Buyout. Below is a representation of the findings in the report. Please note that, under the provisions of SB 3388, Tier 1 SLEP members are not eligible for the COLA buyout, but were included within the actuarial study and that information has been provided.

Regular Plan (\$ in Millions)

	Eligible Members Participating	Estimated 1st Year Employer Contribution Impact
Scenario 1		
Total Buyout	10%	\$ (10.5)
COLA Buyout	15%	\$ (3.8)
Total		\$ (14.3)
Scenario 3		
Total Buyout	30%	\$ (31.5)
COLA Buyout	35%	\$ (8.6)
Total		\$ (40.1)

SLEP Plan (\$ in Millions)

	Eligible Members Participating	Estimated 1st Year Employer Contribution Impact
Scenario 1		
Total Buyout	10%	\$ (0.5)
COLA Buyout	15%	\$ (0.5)
Total		\$ (1.0)
Scenario 3		
Total Buyout	30%	\$ (1.4)
COLA Buyout	35%	\$ (1.1)
Total		\$ (2.5)

As the table shows, implementing the two buyout programs would lower the estimated first-year employer contribution for IMRF. On the low end, Scenario 1 assumes that 10% of eligible Regular employees would elect to take the Total Buyout, saving \$10.5 million, while 15% of eligible Regular employees would elect to take the COLA buyout, saving \$3.8 million for a total of \$14.3 million in savings. On the high end, Scenario 3 assumes that 30% of eligible Regular employees would elect to take the Total Buyout, saving \$31.5 million, while 35% of eligible Regular employees would elect to take the COLA buyout, saving \$8.6 million for a total of \$40.1 million.

SUBJECT MATTER: SB 3388 establishes two types of accelerated pension benefit payment plans, referred to as the “Total Buyout” and “COLA Buyout” Programs, within the Downstate Police, Downstate Fire, and Illinois Municipal Retirement Fund (IMRF) Articles of the Pension Code.

COMMENT:**Current Law**

- PA 100-0587 implemented an accelerated pension benefit payment in lieu of any pension benefit for SERS, SURS, & TRS (“Total Buyout”), as follows:

- Inactive vested Tier One & Tier Two members may elect to receive an accelerated pension payment equal to 60% of the present value of the member's pension benefits in lieu of receiving a traditional retirement annuity.
- PA 100-0587 also established an accelerated pension benefit for a reduction in annual Tier 1 retirement annuity and survivor's annuity increases in SERS, SURS, and TRS ("COLA Buyout"), as follows:
 - A member may elect to receive a lump sum payment equal to 70% of the difference of the present value of the Tier One 3% compounded COLA and the present value of a reduced COLA (simple 1.5%); and
 - Annual increases begin on the January 1 occurring either on or after age 67 or the first anniversary of retirement.
- If an eligible member returns to service, all benefits earned are based solely on service after returning; the accelerated payment may not be repaid and credit cannot be reinstated.
- PA 102-0718 most recently extended the sunset date of the two buyout programs to June 30, 2026.

SB 3388

- SB 3388 establishes both a "Total Buyout" and "COLA Buyout" plan within the Downstate Police, Downstate Fire, and IMRF Articles of the Pension Code;
- The buyout plans mirror the existing plans in SERS, SURS, & TRS, **except** that:
 - A funding mechanism is not offered. In the case of the existing programs, they are funded using proceeds from the State Pension Obligation Acceleration Bonds; and
 - For IMRF, since the Tier 1 COLA is a simple 3%, the COLA buyout payment is based the difference between a 3% simple and 1.5% simple, rather than a 3% compounded COLA.
- Under the provisions of SB 3388, Tier 1 employees under SLEP are not eligible to elect the COLA buyout plan.

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