



## Commission on Government Forecasting and Accountability

### PENSION IMPACT NOTE *104<sup>th</sup> General Assembly*

BILL NO: SB 3430

April 20, 2026

SPONSOR: Balkema

SYSTEM: Downstate Police, Downstate Fire, Chicago Police,  
Chicago Fire, Chicago Municipal, IMRF, and Chicago Laborers

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#### FISCAL IMPACT

SB 3430 creates the two buyout programs—Total buyout and the COLA (or AAI) buyout—for the affected pension funds, mirroring the existing buyout programs currently available in the State’s “Big 3” retirement systems (SERS, SURS, and TRS).

IMRF has commissioned an actuarial analysis on the anticipated fiscal impact of both pension buyout programs on its own pension fund. However, the IMRF actuarial analysis assumed that buyout payments would come from fund assets instead of SB 3430’s Local Pension Obligation Acceleration Bonds.

To estimate the impact of this bill, the IMRF study offers 3 scenarios for each buyout programs. For purposes of this analysis, two of the three scenarios (Scenarios 1 and 2) are provided in the tables below to cover the minimum and maximum estimates of the impact. Scenario 1 assumes that 10% of eligible vested members elect to receive the Total Buyout, while 15% of eligible 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 members elect to receive the COLA Buyout. Please note that the result on the following page shows the anticipated first-year fiscal impact.

<b>IMRF Regular Plan (\$ in Millions)</b>		
<b>Scenario #1</b>	<b>Eligible Participating Members</b>	<b>Estimated 1st year Employer Contribution Impact</b>
Total Buyout	10%	\$ (10.5)
COLA Buyout	15%	\$ (3.8)
<b>Total</b>		<b>\$ (14.3)</b>
<b>Scenario #3</b>		
Total Buyout	30%	\$ (31.5)
COLA Buyout	35%	\$ (8.6)
<b>Total</b>		<b>\$ (40.1)</b>

<b>IMRF SLEP Plan* (\$ in Millions)</b>		
<b>Scenario #1</b>	<b>Eligible Participating Members</b>	<b>Estimated 1st year Employer Contribution Impact</b>
Total Buyout	10%	\$ (0.5)
COLA Buyout	15%	\$ (0.5)
<b>Total</b>		<b>\$ (1.0)</b>
<b>Scenario #3</b>		
Total Buyout	30%	\$ (1.4)
COLA Buyout	35%	\$ (1.1)
<b>Total</b>		<b>\$ (2.5)</b>

*\*The COLA Buyout program outlined in SB 3430 is not available for IMRF SLEP members, but the actuarial analysis commissioned by IMRF, however, does include the anticipated fiscal impact, if SLEP members were eligible for a COLA Buyout.*

The IMRF study anticipates that under scenario #1 IMRF's employer contribution for the Regular plan would be reduced by \$14.3 million during the first year. These estimated savings increase to \$40.1 million under Scenario #3, which assumes higher participation among Regular plan members of 30% for the Total Buyout and 35% for the COLA buyout (compared to 10% and 15%, respectively, under Scenario #1). Most of these estimated savings would be from the Total Buyout option at \$10.5 million for Scenario #1, and \$31.5 million for scenario #3 respectively.

According to SERS, SURS, and TRS, the buyout programs have resulted in an estimated \$2.6 billion reduction in liabilities and required approximately \$2.0 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 on the following page (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
<b>Total</b>	<b>\$2.6B</b>	<b>\$2.0B</b>

Because the existing buyout programs of the State Big 3 systems have led to reductions in pension liabilities in SERS, SURS, and TRS, it may be reasonable to anticipate similar participation patterns and outcomes for the affected pension funds under SB 3430. However, an aggregate actuarial study would be required to assess the fiscal impact of SB 3430 on all the affected pension funds, as estimating the precise fiscal impact is uncertain by nature. Participation in the buyout programs is voluntary, and individual member decisions play a significant role in determining overall program impact. Though municipalities with employees who took the buyout programs may experience an initial negative fiscal impact from reduced Local Government Distributive Fund payments under this bill, that impact may be offset by a long-term reduction in liabilities.

It should also be noted that the State’s Big 3 systems are underfunded (with funded ratios of approximately 47% for each system). By contrast, while many of the affected pension funds are also underfunded, with funded ratios ranging from approximately 24% to 67%, as shown in the table below, a number of local pension funds—particularly Downstate Police and Fire local pension funds governed under Articles 3 and 4—are fully funded or overfunded. According to 2024 data from the Illinois Department of Insurance, more than 60 local Articles 3 and 4 pension funds reported funded ratios of 100% or greater.

Pension Fund	Funded Ratio as of FY 2024
Downstate Police Pension Funds	63.7% (aggregate ratio; individual fund ratios vary)
Downstate Firefighters’ Pension Funds	67.1% (aggregate ratio; individual fund ratios vary)
Municipal Employees’ Annuity and Benefit Fund of Chicago	25.8%
Illinois Municipal Retirement Fund	98.2%
Laborers’ Annuity and Benefit Fund of Chicago	42.6%
Policemen’s Annuity and Benefit Fund of Chicago	24.6%
Firemen’s Annuity and Benefit Fund of Chicago	24.4%

**SUBJECT MATTER:** SB 3430 amends the Downstate Police, Downstate Fire, Chicago Police, Chicago Fire, Chicago Municipal, and Chicago Laborers Articles of the Illinois Pension Code to establish two buyout programs (COLA and Total) modeled after the existing buyout programs in the State Employees' Retirement System (SERS), State Universities Retirement System (SURS), and Teachers' Retirement System (TRS). This bill also amends The State Finance Act to create and authorize \$700,000,000 in Local Pension Obligation Acceleration Bonds to be used exclusively for the aforementioned buyout programs.

**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" (or Automatic Annual Increase (AAI)) 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 1 occurring on or after age 67 or the first anniversary of their 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.

SB 3430 would establish these buyout programs for the following pension funds from as soon as practical after the effective date of this bill, through June 30<sup>th</sup> 2030:

- Downstate Police & Downstate Fire;
- Chicago Police & Chicago Fire;
- Chicago Municipal;
- IMRF; and
- Chicago Laborers;

#### **Voluntary Pension Buyout for Vested, Inactive Members**

Until June 30, 2030, an eligible member in those affected pension funds may irrevocably elect to receive an accelerated pension benefit payment equal to 60% of the present value of a member's pension benefit in lieu of receiving any pension benefit, including survivor's or disability benefits. An eligible member means a person who:

- 1) Has terminated service in the applicable DB plan;
- 2) Has accrued sufficient service credits to receive a retirement annuity (i.e., has vested in the pertinent system);
- 3) Has not received any retirement annuity;

- 4) Has not elected the COLA buyout option; and
- 5) For Article 4 participants (Downstate Fire) their employer must receive payments out of the LGDF

**Voluntary COLA Buyout for Tier 1 Members**

An eligible member in those affected pension funds may irrevocably elect to receive an accelerated pension benefit payment equal to 70% of the difference between the present value of the current Tier 1 COLA (either 3% compounded or 3% simple, depending on the pension fund) and the present value of a reduced COLA (1.5% simple) in exchange for receiving a 1.5% simple COLA. An eligible member means a person who:

- 1) Is a Tier 1 member;
- 2) Has submitted an application for retirement;
- 3) Meets age and service requirements to receive a retirement annuity;
- 4) Has not received any retirement annuity;
- 5) Has not elected the inactive vested pension buyout option; and
- 6) For Article 4 participants (Downstate Fire) their employer must receive payments out of the LGDF

The reduced 1.5% simple COLA would occur on January 1 occurring either on or after age 67 or the first anniversary of the pension start date, whichever is later.

Table 1 below shows the current Tier 1 COLA for the affected pension funds. The Policemen’s Annuity and Benefit Fund of Chicago (Chicago Police), the Firemen’s Annuity and Benefit Fund of Chicago (Chicago Fire), and the IMRF provide a simple 3% COLA, while the rest of the affected pension funds provide a 3% compounded COLA for their Tier 1 members.

Table 1

Pension Fund	Current Tier 1 COLA
Downstate Police Pension Funds	3% compounded
Downstate Firefighters’ Pension Funds	
Municipal Employees’ Annuity and Benefit Fund of Chicago	
Laborers’ Annuity and Benefit Fund of Chicago	
Policemen’s Annuity and Benefit Fund of Chicago	Simple 3%
Firemen’s Annuity and Benefit Fund of Chicago	
Illinois Municipal Retirement Fund	

This bill also amends The State Finance Act to create the Local Pension Obligation Acceleration Bond Fund, that shall be used exclusively for the two buyout programs of the aforementioned pension funds. A total of \$700,000,000 of bonds shall be authorized for this fund, and used for payments towards buyout recipients. Repayments of the bonds shall be deducted from any payment from the Local Government Distributive Fund (LGDF) to the employer of the buyout recipient. Under current law (35 ILCS 5/901), beginning August 1, 2023, municipalities receive 6.47% of net revenue from the individual income tax and 6.85% of net revenue from the corporate income tax through the LGDF. Local governments received \$2.155 billion and \$2.297

billion in FY 2024 and FY 2025, respectively, from these sources. According to the CGFA Revenue Unit’s March 2026 estimates, amounts distributed through the LGDF from these income tax revenues are projected to be \$2.336 billion in FY 2026 and \$2.329 billion in FY 2027.

The following table depicts a breakdown on the fiscal impact, and the number of recipients of the buyout programs already in place for the Big 3 State-funded systems:

Table 2

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

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