



## Commission on Government Forecasting and Accountability

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

BILL NO: SB 4166

April 15, 2026

SPONSOR (S): Lightford

SYSTEM: State Employees Retirement System (SERS), State Universities Retirement System (SURS), Teachers' Retirement System (TRS), General Assembly Retirement System (GARS), and Judges' Retirement System (JRS)

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#### FISCAL IMPACT

An actuarial study would be required to determine the fiscal impact of this bill. Once the study is completed, the note will be updated.

SB 4166 proposes several changes to the current funding plan for the State-funded retirement systems, including authorizing the issuance of up to \$6 billion in pension obligation bonds to reduce unfunded liabilities, front-loading State contributions by changing the timing of payments, and re-amortizing the unfunded liabilities by determining State contributions on a level dollar amount basis.

This bill states that these proposed changes would result in \$40 billion in savings over the remaining amortization period through FY 2045, compared to the current funding plan. However, CGFA has not yet conducted an actuarial study on this bill.

As a reference point, with respect to pension obligation bonds, as of FY 2025, the annualized returns on the State's 2003 POB from FY 2004 through FY 2025 have exceeded the true interest cost of 5.047% across all five retirement systems, with returns of 7.5% for TRS, 7.6% for SURS, and 7.3% for ISBI (which manages assets of SERS, JRS, and GARS).

**As another reference point, under the current funding plan, the total State contributions are projected to be \$285.1 billion from FY 2027 through FY 2045, based on the Systems' FY 2025 Actuarial Valuations.**

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**SUBJECT MATTER:** SB 4166 amends the Illinois Pension Code to move the timing of State contribution payments for the five State Systems to the first day of each fiscal year for fiscal years 2027 through 2045 and to allow for the issuance of up to \$6 billion in pension obligation bonds from fiscal year 2027 through fiscal year 2031. Additionally, State contributions for FY 2032 through FY 2045 shall be determined as a level dollar amount rather than as a level percentage of payroll. This bill may be referred to as the Pension Security and Cost Efficiency Act.

**COMMENT:** Pursuant to P.A. 88-0593, the State is currently required to make contributions to the State retirement systems such that the total assets of the systems will equal 90% of their total actuarial liabilities by FY 2045. The contributions are required to be made at a level percentage of payroll.

Under current law, beginning in fiscal year 2025 and unless directed by the Comptroller, the Boards of the five State Systems shall submit vouchers for payment of State contributions to the Systems for the applicable month on the 15<sup>th</sup> day of each month or as soon thereafter as may be practical. The amount vouchered for a monthly payment shall total one-twelfth of the required annual State contribution. If requested by the Comptroller, vouchers for multiple monthly payments for advance payment of State contributions due to the System for that State fiscal year shall be submitted by the Board of the applicable System.

SB 4166 adjusts the schedule of vouchers and payments such that State contributions would be made on the first day of the applicable fiscal year. Beginning in State fiscal year 2027 and continuing through State fiscal year 2045, the Boards of the five State Systems shall submit a voucher for payment of the full annual State contribution on the first day of each State fiscal year.

Until State fiscal year 2027 and for State fiscal year 2046 and thereafter, the current multiple monthly payments process remains in place, under which the comptroller can request that a Board of one of the five State Systems submit vouchers for multiple monthly payments for advance payment of State contributions.

SB 4166 also authorizes the issuance of pension obligation bonds from State fiscal year 2027 to fiscal year 2031 for the sole purpose of reducing unfunded liabilities of the five State systems. The aggregate principal of the pension obligation bonds under SB 4166 is \$6 billion. This bill specifically provides that the bonds issuances are to be structured in a front-loaded manner, with a greater proportion issued in earlier fiscal years (i.e. the largest portion in FY 2027 and the smallest portion in FY 2031).

This bill also specifies that contributions made from the bond proceeds shall be treated as supplemental contributions and shall not offset the minimum required State contributions. These additional contributions shall be used exclusively to reduce unfunded liabilities.

SB 4166 further changes how the minimum required State contributions for the five Systems would be calculated beginning in FY 2032 through FY 2045. Under current law, the State contributions are calculated each year as a level percentage of payroll, which results in increasing dollar contributions over time as payroll grows. This bill instead provides that, for FY 2032 through FY 2045, the State contributions shall be determined as a level dollar amount over the remaining amortization period through FY 2045 and referred to in the bill as “re-amortized minimum contribution.”

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