

**104TH GENERAL ASSEMBLY****State of Illinois****2025 and 2026****SB3388**

Introduced 2/4/2026, by Sen. Li Arellano, Jr.

**SYNOPSIS AS INTRODUCED:**

See Index

Amends the Downstate Police, Downstate Firefighter, and Illinois Municipal Retirement Fund (IMRF) Articles of the Illinois Pension Code. Establishes an accelerated pension benefit payment in lieu of any pension benefit under which an eligible person may elect to receive an amount determined by the Fund to be equal to 60% of the present value of his or her pension benefits in lieu of receiving any pension benefit. Establishes an accelerated pension benefit payment for a reduction in annual retirement annuity and survivor's annuity increases, as applicable, under which a Tier 1 member may elect to receive an accelerated pension benefit payment equal to 70% of the difference of the present value of the automatic annual increases to a Tier 1 member's retirement annuity and survivor's annuity using the formula applicable to the Tier 1 member and the present value of the automatic annual increases to the Tier 1 member's retirement annuity using a specified formula and survivor's annuity using a specified formula. Provides that, upon receipt of a member's irrevocable election to receive an accelerated pension benefit payment, the Fund shall transfer the amount of the accelerated pension benefit payment into the member's eligible retirement plan or qualified account. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB104 18983 RPS 32428 b

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning public employee benefits.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 10. The Illinois Pension Code is amended by adding  
5 Sections 3-144.3, 3-144.4, 4-138.15, 4-138.16, 7-217.5, and  
6 7-217.6 as follows:

7 (40 ILCS 5/3-144.3 new)

8 Sec. 3-144.3. Accelerated pension benefit payment in lieu  
9 of any pension benefit.

10 (a) As used in this Section:

11 "Eligible person" means a person who:

12 (1) has terminated service;

13 (2) has accrued sufficient service credit to be  
14 eligible to receive a retirement pension under this  
15 Article;

16 (3) has not received any retirement pension under this  
17 Article; and

18 (4) has not made the election under Section 3-144.4.

19 "Pension benefit" means the benefits under this Article,  
20 or Article 1 as it relates to those benefits, including any  
21 anticipated annual increases, that an eligible person is  
22 entitled to upon attainment of the applicable retirement age.

23 "Pension benefit" also includes applicable survivor's or

1 disability benefits.

2 (b) As soon as practical after the effective date of this  
3 amendatory Act of the 104th General Assembly, the fund shall  
4 calculate, using actuarial tables and other assumptions  
5 adopted by the Board, the present value of pension benefits  
6 for each eligible person who requests that information and  
7 shall offer each eligible person the opportunity to  
8 irrevocably elect to receive an amount determined by the fund  
9 to be equal to 60% of the present value of his or her pension  
10 benefits in lieu of receiving any pension benefit. The offer  
11 shall specify the dollar amount that the eligible person will  
12 receive if he or she so elects and shall expire when a  
13 subsequent offer is made to an eligible person. An eligible  
14 person is limited to one calculation and offer per calendar  
15 year. The fund shall make a good faith effort to contact every  
16 eligible person to notify him or her of the election.

17 Until 3 years after the effective date of this amendatory  
18 Act of the 104th General Assembly, an eligible person may  
19 irrevocably elect to receive an accelerated pension benefit  
20 payment in the amount that the fund offers under this  
21 subsection in lieu of receiving any pension benefit.

22 (c) A person's creditable service under this Article shall  
23 be terminated upon the person's receipt of an accelerated  
24 pension benefit payment under this Section, and no other  
25 benefit shall be paid under this Article based on the  
26 terminated creditable service, including any retirement,

1 survivor, or other benefit.

2 (d) If a person who has received an accelerated pension  
3 benefit payment under this Section returns to active service  
4 under this Article, then:

5 (1) Any benefits under the fund earned as a result of  
6 that return to active service shall be based solely on the  
7 person's creditable service arising from the return to  
8 active service.

9 (2) The accelerated pension benefit payment may not be  
10 repaid to the fund, and the terminated creditable service  
11 may not under any circumstances be reinstated.

12 (e) As a condition of receiving an accelerated pension  
13 benefit payment, the accelerated pension benefit payment must  
14 be transferred into a tax qualified retirement plan or  
15 account. The accelerated pension benefit payment under this  
16 Section may be subject to withholding or payment of applicable  
17 taxes, but to the extent permitted by federal law, a person who  
18 receives an accelerated pension benefit payment under this  
19 Section must direct the fund to pay all of that payment as a  
20 rollover into another retirement plan or account qualified  
21 under the Internal Revenue Code of 1986, as amended.

22 (f) Upon receipt of a member's irrevocable election to  
23 receive an accelerated pension benefit payment under this  
24 Section, the fund shall transfer the amount of the accelerated  
25 pension benefit payment into the member's eligible retirement  
26 plan or qualified account.

1       (g) The Board shall adopt any rules, including emergency  
2 rules, necessary to implement this Section.

3       (h) No provision of this Section shall be interpreted in a  
4 way that would cause the applicable fund to cease to be a  
5 qualified plan under the Internal Revenue Code of 1986.

6           (40 ILCS 5/3-144.4 new)

7       Sec. 3-144.4. Accelerated pension benefit payment for a  
8 reduction in annual retirement pension increases.

9       (a) As used in this Section:

10       "Accelerated pension benefit payment" means a lump-sum  
11 payment equal to 70% of the difference of the present value of  
12 the automatic annual increases to a Tier 1 member's retirement  
13 pension using the formula applicable to the Tier 1 member and  
14 the present value of the automatic annual increases to the  
15 Tier 1 member's retirement pension using the formula provided  
16 under subsection (b-5).

17       "Eligible person" means a person who:

18           (1) is a Tier 1 member;

19           (2) has submitted an application for a retirement  
20 pension under this Article;

21           (3) meets the age and service requirements for  
22 receiving a retirement pension under this Article;

23           (4) has not received any retirement pension under this  
24 Article; and

25           (5) has not made the election under Section 3-144.3.

1       "Tier 1 member" means a person who first became a police  
2 officer under this Article before January 1, 2011.

3       (b) As soon as practical after the effective date of this  
4 amendatory Act of the 104th General Assembly and until 3 years  
5 after the effective date of this amendatory Act of the 104th  
6 General Assembly, the fund shall implement an accelerated  
7 pension benefit payment option for eligible persons. Upon the  
8 request of an eligible person, the fund shall calculate, using  
9 actuarial tables and other assumptions adopted by the Board,  
10 an accelerated pension benefit payment amount and shall offer  
11 that eligible person the opportunity to irrevocably elect to  
12 have his or her automatic annual increases in retirement  
13 pension calculated in accordance with the formula provided  
14 under subsection (b-5) in exchange for the accelerated pension  
15 benefit payment. The election under this subsection must be  
16 made before the eligible person receives the first payment of  
17 a retirement pension otherwise payable under this Article.

18       (b-5) Notwithstanding any other provision of law, the  
19 retirement pension of a person who made the election under  
20 subsection (b) shall be subject to annual increases on the  
21 January 1 occurring either on or after the attainment of age 67  
22 or the first anniversary of the pension start date, whichever  
23 is later. Each annual increase shall be calculated at 1.5% of  
24 the originally granted retirement pension.

25       (c) If a person who has received an accelerated pension  
26 benefit payment returns to active service under this Article,

1 then:

2 (1) the calculation of any future automatic annual  
3 increase in retirement pension shall be calculated in  
4 accordance with the formula provided under subsection  
5 (b-5); and

6 (2) the accelerated pension benefit payment may not be  
7 repaid to the fund.

8 (d) As a condition of receiving an accelerated pension  
9 benefit payment, the accelerated pension benefit payment must  
10 be transferred into a tax qualified retirement plan or  
11 account. The accelerated pension benefit payment under this  
12 Section may be subject to withholding or payment of applicable  
13 taxes, but to the extent permitted by federal law, a person who  
14 receives an accelerated pension benefit payment under this  
15 Section must direct the fund to pay all of that payment as a  
16 rollover into another retirement plan or account qualified  
17 under the Internal Revenue Code of 1986, as amended.

18 (d-5) Upon receipt of a member's irrevocable election to  
19 receive an accelerated pension benefit payment under this  
20 Section, the fund shall transfer the amount of the accelerated  
21 pension benefit payment into the member's eligible retirement  
22 plan or qualified account.

23 (e) The Board shall adopt any rules, including emergency  
24 rules, necessary to implement this Section.

25 (f) No provision of this Section shall be interpreted in a  
26 way that would cause the applicable fund to cease to be a

1 qualified plan under the Internal Revenue Code of 1986.

2 (40 ILCS 5/4-138.15 new)

3 Sec. 4-138.15. Accelerated pension benefit payment in lieu  
4 of any pension benefit.

5 (a) As used in this Section:

6 "Eligible person" means a person who:

7 (1) has terminated service;

8 (2) has accrued sufficient service credit to be  
9 eligible to receive a retirement pension under this  
10 Article;

11 (3) has not received any retirement pension under this  
12 Article; and

13 (4) has not made the election under Section 4-138.16.

14 "Pension benefit" means the benefits under this Article,  
15 or Article 1 as it relates to those benefits, including any  
16 anticipated annual increases, that an eligible person is  
17 entitled to upon attainment of the applicable retirement age.  
18 "Pension benefit" also includes applicable survivor's or  
19 disability benefits.

20 (b) As soon as practical after the effective date of this  
21 amendatory Act of the 104th General Assembly, the fund shall  
22 calculate, using actuarial tables and other assumptions  
23 adopted by the Board, the present value of pension benefits  
24 for each eligible person who requests that information and  
25 shall offer each eligible person the opportunity to

1 irrevocably elect to receive an amount determined by the fund  
2 to be equal to 60% of the present value of his or her pension  
3 benefits in lieu of receiving any pension benefit. The offer  
4 shall specify the dollar amount that the eligible person will  
5 receive if he or she so elects and shall expire when a  
6 subsequent offer is made to an eligible person. An eligible  
7 person is limited to one calculation and offer per calendar  
8 year. The fund shall make a good faith effort to contact every  
9 eligible person to notify him or her of the election.

10 Until 3 years after the effective date of this amendatory  
11 Act of the 104th General Assembly, an eligible person may  
12 irrevocably elect to receive an accelerated pension benefit  
13 payment in the amount that the fund offers under this  
14 subsection in lieu of receiving any pension benefit.

15 (c) A person's creditable service under this Article shall  
16 be terminated upon the person's receipt of an accelerated  
17 pension benefit payment under this Section, and no other  
18 benefit shall be paid under this Article based on the  
19 terminated creditable service, including any retirement,  
20 survivor, or other benefit.

21 (d) If a person who has received an accelerated pension  
22 benefit payment under this Section returns to active service  
23 under this Article, then:

24 (1) Any benefits under the fund earned as a result of  
25 that return to active service shall be based solely on the  
26 person's creditable service arising from the return to

1       active service.

2           (2) The accelerated pension benefit payment may not be  
3       repaid to the fund, and the terminated creditable service  
4       may not under any circumstances be reinstated.

5           (e) As a condition of receiving an accelerated pension  
6       benefit payment, the accelerated pension benefit payment must  
7       be transferred into a tax qualified retirement plan or  
8       account. The accelerated pension benefit payment under this  
9       Section may be subject to withholding or payment of applicable  
10       taxes, but to the extent permitted by federal law, a person who  
11       receives an accelerated pension benefit payment under this  
12       Section must direct the fund to pay all of that payment as a  
13       rollover into another retirement plan or account qualified  
14       under the Internal Revenue Code of 1986, as amended.

15           (f) Upon receipt of a member's irrevocable election to  
16       receive an accelerated pension benefit payment under this  
17       Section, the fund shall transfer the amount of the accelerated  
18       pension benefit payment into the member's eligible retirement  
19       plan or qualified account.

20           (g) The Board shall adopt any rules, including emergency  
21       rules, necessary to implement this Section.

22           (h) No provision of this Section shall be interpreted in a  
23       way that would cause the applicable fund to cease to be a  
24       qualified plan under the Internal Revenue Code of 1986.

25           (40 ILCS 5/4-138.16 new)

1       Sec. 4-138.16. Accelerated pension benefit payment for a  
2 reduction in annual retirement pension increases.

3       (a) As used in this Section:

4       "Accelerated pension benefit payment" means a lump-sum  
5 payment equal to 70% of the difference of the present value of  
6 the automatic annual increases to a Tier 1 member's retirement  
7 pension using the formula applicable to the Tier 1 member and  
8 the present value of the automatic annual increases to the  
9 Tier 1 member's retirement pension using the formula provided  
10 under subsection (b-5).

11       "Eligible person" means a person who:

12           (1) is a Tier 1 member;

13           (2) has submitted an application for a retirement  
14 pension under this Article;

15           (3) meets the age and service requirements for  
16 receiving a retirement pension under this Article;

17           (4) has not received any retirement pension under this  
18 Article; and

19           (5) has not made the election under Section 4-138.15.

20       "Tier 1 member" means a person who first became a  
21 firefighter before January 1, 2011.

22       (b) As soon as practical after the effective date of this  
23 amendatory Act of the 104th General Assembly and until 3 years  
24 after the effective date of this amendatory Act of the 104th  
25 General Assembly, the fund shall implement an accelerated  
26 pension benefit payment option for eligible persons. Upon the

1 request of an eligible person, the fund shall calculate, using  
2 actuarial tables and other assumptions adopted by the Board,  
3 an accelerated pension benefit payment amount and shall offer  
4 that eligible person the opportunity to irrevocably elect to  
5 have his or her automatic annual increases in retirement  
6 pension calculated in accordance with the formula provided  
7 under subsection (b-5) in exchange for the accelerated pension  
8 benefit payment. The election under this subsection must be  
9 made before the eligible person receives the first payment of  
10 a retirement pension otherwise payable under this Article.

11 (b-5) Notwithstanding any other provision of law, the  
12 retirement pension of a person who made the election under  
13 subsection (b) shall be subject to annual increases on the  
14 January 1 occurring either on or after the attainment of age 67  
15 or the first anniversary of the pension start date, whichever  
16 is later. Each annual increase shall be calculated at 1.5% of  
17 the originally granted retirement pension.

18 (c) If a person who has received an accelerated pension  
19 benefit payment returns to active service under this Article,  
20 then:

21 (1) the calculation of any future automatic annual  
22 increase in retirement pension shall be calculated in  
23 accordance with the formula provided under subsection  
24 (b-5); and

25 (2) the accelerated pension benefit payment may not be  
26 repaid to the fund.

1       (d) As a condition of receiving an accelerated pension  
2 benefit payment, the accelerated pension benefit payment must  
3 be transferred into a tax qualified retirement plan or  
4 account. The accelerated pension benefit payment under this  
5 Section may be subject to withholding or payment of applicable  
6 taxes, but to the extent permitted by federal law, a person who  
7 receives an accelerated pension benefit payment under this  
8 Section must direct the fund to pay all of that payment as a  
9 rollover into another retirement plan or account qualified  
10 under the Internal Revenue Code of 1986, as amended.

11       (d-5) Upon receipt of a member's irrevocable election to  
12 receive an accelerated pension benefit payment under this  
13 Section, the fund shall transfer the amount of the accelerated  
14 pension benefit payment into the member's eligible retirement  
15 plan or qualified account.

16       (e) The Board shall adopt any rules, including emergency  
17 rules, necessary to implement this Section.

18       (f) No provision of this Section shall be interpreted in a  
19 way that would cause the applicable fund to cease to be a  
20 qualified plan under the Internal Revenue Code of 1986.

21       (40 ILCS 5/7-217.5 new)

22       Sec. 7-217.5. Accelerated pension benefit payment in lieu  
23 of any pension benefit.

24       (a) As used in this Section:

25       "Eligible person" means a person who:

- 1           (1) has terminated service;  
2           (2) has accrued sufficient service credit to be  
3           eligible to receive a retirement annuity under this  
4           Article;  
5           (3) has not received any retirement annuity under this  
6           Article; and  
7           (4) has not made the election under Section 7-217.6.

8           "Pension benefit" means the benefits under this Article,  
9           or Article 1 as it relates to those benefits, including any  
10           anticipated annual increases, that an eligible person is  
11           entitled to upon attainment of the applicable retirement age.  
12           "Pension benefit" also includes applicable survivor's or  
13           disability benefits.

14           (b) As soon as practical after the effective date of this  
15           amendatory Act of the 104th General Assembly, the Fund shall  
16           calculate, using actuarial tables and other assumptions  
17           adopted by the Board, the present value of pension benefits  
18           for each eligible person who requests that information and  
19           shall offer each eligible person the opportunity to  
20           irrevocably elect to receive an amount determined by the Fund  
21           to be equal to 60% of the present value of his or her pension  
22           benefits in lieu of receiving any pension benefit. The offer  
23           shall specify the dollar amount that the eligible person will  
24           receive if he or she so elects and shall expire when a  
25           subsequent offer is made to an eligible person. An eligible  
26           person is limited to one calculation and offer per calendar

1 year. The Fund shall make a good faith effort to contact every  
2 eligible person to notify him or her of the election.

3 Until 3 years after the effective date of this amendatory  
4 Act of the 104th General Assembly, an eligible person may  
5 irrevocably elect to receive an accelerated pension benefit  
6 payment in the amount that the Fund offers under this  
7 subsection in lieu of receiving any pension benefit. A person  
8 who elects to receive an accelerated pension benefit payment  
9 under this Section may not elect to proceed under the  
10 Retirement Systems Reciprocal Act with respect to service  
11 under this Article.

12 (c) A person's creditable service under this Article shall  
13 be terminated upon the person's receipt of an accelerated  
14 pension benefit payment under this Section, and no other  
15 benefit shall be paid under this Article based on the  
16 terminated creditable service, including any retirement,  
17 survivor, or other benefit.

18 (d) If a person who has received an accelerated pension  
19 benefit payment under this Section returns to active service  
20 under this Article, then:

21 (1) Any benefits under the Fund earned as a result of  
22 that return to active service shall be based solely on the  
23 person's creditable service arising from the return to  
24 active service.

25 (2) The accelerated pension benefit payment may not be  
26 repaid to the Fund, and the terminated creditable service

1       may not under any circumstances be reinstated.

2       (e) As a condition of receiving an accelerated pension  
3 benefit payment, the accelerated pension benefit payment must  
4 be transferred into a tax qualified retirement plan or  
5 account. The accelerated pension benefit payment under this  
6 Section may be subject to withholding or payment of applicable  
7 taxes, but to the extent permitted by federal law, a person who  
8 receives an accelerated pension benefit payment under this  
9 Section must direct the Fund to pay all of that payment as a  
10 rollover into another retirement plan or account qualified  
11 under the Internal Revenue Code of 1986, as amended.

12       (f) Upon receipt of a member's irrevocable election to  
13 receive an accelerated pension benefit payment under this  
14 Section, the Fund shall transfer the amount of the accelerated  
15 pension benefit payment into the member's eligible retirement  
16 plan or qualified account.

17       (g) The Board shall adopt any rules, including emergency  
18 rules, necessary to implement this Section.

19       (h) No provision of this Section shall be interpreted in a  
20 way that would cause the applicable Fund to cease to be a  
21 qualified plan under the Internal Revenue Code of 1986.

22       (40 ILCS 5/7-217.6 new)

23       Sec. 7-217.6. Accelerated pension benefit payment for a  
24 reduction in annual retirement annuity and survivor's annuity  
25 increases.

1       (a) As used in this Section:

2       "Accelerated pension benefit payment" means a lump-sum  
3 payment equal to 70% of the difference of the present value of  
4 the automatic annual increases to a Tier 1 regular employee's  
5 retirement annuity and survivor's annuity using the formula  
6 applicable to the Tier 1 regular employee and the present  
7 value of the automatic annual increases to the Tier 1 regular  
8 employee's retirement annuity using the formula provided under  
9 subsection (b-5) and survivor's annuity using the formula  
10 provided under subsection (b-6). "Eligible person" means a  
11 person who:

12           (1) is a Tier 1 regular employee;

13           (2) has submitted an application for a retirement  
14 annuity under this Article;

15           (3) meets the age and service requirements for  
16 receiving a retirement annuity under this Article;

17           (4) has not received any retirement annuity under this  
18 Article; and

19           (5) has not made the election under Section 7-217.5.

20       (b) As soon as practical after the effective date of this  
21 amendatory Act of the 104th General Assembly and until 3 years  
22 after the effective date of this amendatory Act of the 104th  
23 General Assembly, the Fund shall implement an accelerated  
24 pension benefit payment option for eligible persons. Upon the  
25 request of an eligible person, the Fund shall calculate, using  
26 actuarial tables and other assumptions adopted by the Board,

1 an accelerated pension benefit payment amount and shall offer  
2 that eligible person the opportunity to irrevocably elect to  
3 have his or her automatic annual increases in retirement  
4 annuity calculated in accordance with the formula provided  
5 under subsection (b-5) and any increases in survivor's annuity  
6 payable to his or her survivor's annuity beneficiary  
7 calculated in accordance with the formula provided under  
8 subsection (b-6) in exchange for the accelerated pension  
9 benefit payment. The election under this subsection must be  
10 made before the eligible person receives the first payment of  
11 a retirement annuity otherwise payable under this Article.

12 (b-5) Notwithstanding any other provision of law, the  
13 retirement annuity of a person who made the election under  
14 subsection (b) shall be subject to annual increases on the  
15 January 1 occurring either on or after the attainment of age 67  
16 or the first anniversary of the annuity start date, whichever  
17 is later. Each annual increase shall be calculated at 1.5% of  
18 the originally granted retirement annuity.

19 (b-6) Notwithstanding any other provision of law, a  
20 survivor's annuity payable to a survivor's annuity beneficiary  
21 of a person who made the election under subsection (b) shall be  
22 subject to annual increases on the January 1 occurring on or  
23 after the first anniversary of the commencement of the  
24 annuity. Each annual increase shall be calculated at 1.5% of  
25 the originally granted survivor's annuity.

26 (c) If a person who has received an accelerated pension

1 benefit payment returns to active service under this Article,  
2 then:

3 (1) the calculation of any future automatic annual  
4 increase in retirement annuity shall be calculated in  
5 accordance with the formula provided under subsection  
6 (b-5); and

7 (2) the accelerated pension benefit payment may not be  
8 repaid to the Fund.

9 (d) As a condition of receiving an accelerated pension  
10 benefit payment, the accelerated pension benefit payment must  
11 be transferred into a tax qualified retirement plan or  
12 account. The accelerated pension benefit payment under this  
13 Section may be subject to withholding or payment of applicable  
14 taxes, but to the extent permitted by federal law, a person who  
15 receives an accelerated pension benefit payment under this  
16 Section must direct the Fund to pay all of that payment as a  
17 rollover into another retirement plan or account qualified  
18 under the Internal Revenue Code of 1986, as amended.

19 (d-5) Upon receipt of a member's irrevocable election to  
20 receive an accelerated pension benefit payment under this  
21 Section, the Fund shall transfer the amount of the accelerated  
22 pension benefit payment into the member's eligible retirement  
23 plan or qualified account.

24 (e) The Board shall adopt any rules, including emergency  
25 rules, necessary to implement this Section.

26 (f) No provision of this Section shall be interpreted in a

1 way that would cause the applicable Fund to cease to be a  
2 qualified plan under the Internal Revenue Code of 1986.

3 Section 90. The State Mandates Act is amended by adding  
4 Section 8.50 as follows:

5 (30 ILCS 805/8.50 new)

6 Sec. 8.50. Exempt mandate. Notwithstanding Sections 6 and  
7 8 of this Act, no reimbursement by the State is required for  
8 the implementation of any mandate created by this amendatory  
9 Act of the 104th General Assembly.

10 Section 99. Effective date. This Act takes effect upon  
11 becoming law.

1 INDEX

2 Statutes amended in order of appearance

3 40 ILCS 5/3-144.3 new

4 40 ILCS 5/3-144.4 new

5 40 ILCS 5/4-138.15 new

6 40 ILCS 5/4-138.16 new

7 40 ILCS 5/7-217.5 new

8 40 ILCS 5/7-217.6 new

9 30 ILCS 805/8.50 new