



Pension Omnibus Legislation SB 1937

ISACo prepared this analysis of SB 1937 to inform county officials and staff about the changes in Illinois proposed within the legislation. ISACo encourages county staff to carefully review the content of the legislation to ensure a complete understanding of any new requirements and responsibilities.

Overview

SB 1937 makes substantial reforms to the Illinois Pension Code, primarily affecting Tier 2 benefits across several retirement systems.

The legislation modifies the automatic annual increase for Tier 2 members in the General Assembly and Judges retirement systems to 3%, calculated either on the original annuity amount or the current annuity being paid. It adjusts the cap on pensionable salary to align with the Social Security wage base and changes how final average salary and retirement age are calculated for those active on or after January 1, 2027. Certain state employees—including security staff in DHS, DOC, and DJJ, Lottery investigators, and state highway workers—will now qualify for more favorable alternative retirement annuities.

Benefit Changes Included Within SB 1937

- Lowering the normal retirement age from 67 to 65 with 20 years of service or 62 if pension benefits are fully maxed out
- Reducing early retirement penalties, allowing pensioners to retire as early as 57 with reduced benefits
- Increasing cost-of-living adjustments in the General Assembly Retirement System and Judges' Retirement System to a compounded 3%
- Giving a 3% non-compounding COLA to all other Tier 2 pensioners every year
- Calculating benefits based on six years of salary instead of eight
- Increasing the pensionable salary cap
- Lowering the downstate police and fire retirement age from 55 to 52 with 20 years of service, reducing early retirement penalties (police and firemen can retire at any age without penalty if they've maxed out their pension) and calculating benefits based on four years of salary rather than eight years

The bill further integrates the Retirement Systems Reciprocal Act into the Downstate Police, Downstate Firefighter, Chicago Police, and Chicago Firefighter pension codes beginning in

2027. It also allows some county correctional officers, probation officers, and qualifying firefighters to receive SLEP (Sheriff's Law Enforcement Personnel) status under the Illinois Municipal Retirement Fund (IMRF). The Downstate Firefighter Article is updated to include “de facto firefighters,” expanding pension eligibility to individuals meeting defined criteria without formal designation.

Funding formulas for multiple systems—including GARS, SERS, SURS, TRS, JRS, and the Downstate Police and Fire systems—are revised.

A Deferred Retirement Option Plan (DROP) is established for certain members of the Chicago Police and Fire pension systems as well as eligible Downstate public safety employees.

Additionally, the bill calls for annual transfers from the General Revenue Fund to the Pension Stabilization Fund from FY2030 through FY2049 and targets 100% funding in addition to the 90% funding target by 2045 currently in place. The legislation amends the State Mandates Act to require these changes be implemented without state reimbursement to local governments.

County Impact

Counties may be affected through expanded IMRF eligibility for local correctional and probation officers under SLEP provisions, potentially increasing pension obligations or altering retirement planning for those employees. Changes to reciprocal system participation may also influence pension coordination and administration for county employees who move between public systems.