



104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2920

Introduced 2/6/2025, by Rep. Katie Stuart

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-168 new

Amends the General Provisions Article of the Illinois Pension Code. Provides for a deferred retirement option plan for participants under the State Universities Article under which a participant who is eligible to retire may continue in active service for up to 5 years while having his or her monthly retirement annuity deposited into a special account. Provides that the election must be made no later than January 1, 2029. Provides that the amounts credited to the deferred retirement option plan shall be held in notional accounts by the retirement system, and that the amounts in the account shall not accrue interest. Provides that, upon termination of the deferred retirement option plan, the participant shall commence his or her retirement annuity from the retirement system and may not participate in employment in any way that would require the participant to become an active contributing member of the retirement system. Sets forth provisions concerning the manner of the election; automatic increases; contributions to the retirement system; accounting; expiration or termination of the deferred retirement option plan; and administration of the deferred retirement option plan. Effective immediately.

LRB104 11507 RPS 21596 b

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 5. The Illinois Pension Code is amended by adding
5 Section 1-168 as follows:

6 (40 ILCS 5/1-168 new)

7 Sec. 1-168. Deferred retirement option plan.

8 (a) In this Section:

9 "Applicable pension fund or retirement system" means the
10 pension fund or retirement system established under Article 15
11 under which the eligible member or DROP member participates.

12 "Deferred retirement option plan" or "DROP" means the plan
13 created under this Section that provides an alternative method
14 of benefit accrual in the pension fund or retirement system.

15 "DROP member" means an eligible member who makes an
16 election to participate in the DROP no later than January 1,
17 2029.

18 "Eligible member" means a participating member under a
19 pension fund or retirement system established under Article 15
20 who, at the time of the member's election to participate in the
21 DROP:

22 (1) is otherwise eligible to retire under the
23 applicable Article with a full and unreduced pension as

1 determined by the retirement system or pension fund of
2 which the member is an active member at the time of the
3 election to participate in the DROP;

4 (2) is not in receipt of a disability or retirement
5 annuity from the applicable retirement system or pension
6 fund at the time of his or her election to participate in
7 the DROP; and

8 (3) is actively employed in a position that is covered
9 under a collective bargaining agreement.

10 (b) The DROP shall be made available to eligible members
11 no later than January 1, 2026.

12 (c) Eligible members must make their election to
13 participate in the DROP in writing with the applicable pension
14 fund or retirement system in a form acceptable to the
15 applicable pension fund or retirement system. The applicable
16 pension fund or retirement system must process the election
17 and begin crediting an account on behalf of the DROP member as
18 soon as is practicable after the election has been received.

19 At the time of or prior to electing to participate in the
20 DROP, a member must, unless otherwise provided by law, make
21 all other elections required to be made at or before the date
22 of retirement, including, but not limited to, purchase of
23 optional service, election of an accelerated pension benefit
24 payment, or any other election identified by the retirement
25 system or pension fund.

26 (d) An eligible member may participate in the DROP for a

1 period not to exceed 5 years from the date of the eligible
2 member's election.

3 (e) During the period of the DROP member's participation
4 in the DROP, the applicable pension fund or retirement system
5 shall transfer and credit into a notional account on behalf of
6 the DROP member an amount equal to the monthly amount of
7 retirement annuity the DROP member would otherwise be eligible
8 to receive if the DROP member had retired on the date of the
9 election under this Section. A DROP member who is entitled to a
10 benefit from a participating system under the Retirement
11 Systems Reciprocal Act shall be eligible to have the benefit
12 the DROP member would have otherwise been eligible to receive
13 if the DROP member retired on the date of the election under
14 this Section deposited with the applicable pension fund or
15 retirement system in the DROP member's DROP account and
16 administered in a manner consistent with the requirements of
17 this Section. The applicable pension fund or retirement system
18 shall deduct any amounts required to be deducted under State
19 or federal law, including, but not limited to, payments
20 required under a Qualified Illinois Domestic Relations Order
21 under Section 1-119. Any automatic annual increases that would
22 have otherwise been applied to the DROP member's benefit if
23 the DROP member had elected to retire instead of participate
24 in the DROP shall accrue to the DROP member's monthly payment
25 placed into the account prior to the expiration of the DROP and
26 shall otherwise apply to the DROP member's annuity upon

1 expiration of the DROP. The account shall be held on behalf of
2 the DROP member.

3 (f) DROP members shall make contributions to the
4 applicable pension fund or retirement system during their
5 participation in the DROP in an amount equal to the employee
6 contributions under the applicable Article that would
7 otherwise be required if the DROP member were an active
8 participant of the applicable pension fund or retirement
9 system. Those amounts shall be credited to the member's DROP
10 account, minus any administrative costs determined by the
11 pension fund or retirement system to be attributable to the
12 administration of the DROP benefits experienced by the
13 applicable pension fund or retirement system.

14 (g) The amounts credited to the DROP account shall be held
15 in notional accounts by the applicable pension fund or
16 retirement system. The amounts in the DROP account shall not
17 accrue interest. The applicable pension fund or retirement
18 system shall reduce the amounts in the DROP account on a
19 schedule set by the applicable pension fund or retirement
20 system to cover all of the administrative costs of the
21 applicable pension fund or retirement system that are deemed
22 to be attributable to the administration of the DROP account
23 and any duties required under this Section.

24 (h) Upon expiration or termination of the DROP member's
25 participation in the DROP, the account balance shall be paid
26 to the DROP member as a lump sum. The applicable pension fund

1 or retirement system shall provide options for the transfer of
2 the account consistent with its fiduciary duty and any
3 applicable State or federal law. The expiration or termination
4 of a DROP member's participation in the DROP may not occur
5 after January 1, 2034.

6 (i) The DROP election is irrevocable, and the DROP member
7 may not, except as otherwise provided in this Section, access
8 the account prior to the date established as the last day of
9 the DROP when the DROP member made the initial election to
10 participate in the DROP. The DROP member must terminate
11 employment with the employer upon expiration of his or her
12 participation in the DROP. The DROP member's participation in
13 the DROP shall terminate prior to the expiration date:

14 (1) if the DROP member terminates employment with the
15 employer prior to the expiration of the designated DROP
16 period;

17 (2) if the DROP member becomes eligible for and begins
18 collecting a disability benefit from the pension fund or
19 retirement system; or

20 (3) upon the death of the DROP member.

21 Upon termination from the DROP, the member shall commence
22 his or her retirement annuity from the pension fund or
23 retirement system. After termination or expiration of a
24 member's participation in the DROP, the member may not
25 participate in employment in any way that would require the
26 member to become an active contributing member of the

1 retirement system or pension fund.

2 The applicable pension fund or retirement system may allow
3 for the payment of the balance of the DROP account prior to the
4 last date of participation in the DROP established by the DROP
5 member when the DROP member made the initial election to
6 participate in the DROP if (i) the member's participation in
7 the DROP terminated and (ii) the applicable pension fund or
8 retirement system determines the DROP member should have
9 access to the DROP account balance due to hardship or
10 necessity as determined by the applicable pension fund or
11 retirement system.

12 (j) A DROP member shall be considered in active service
13 for purposes of eligibility for death and disability benefits
14 and access to any health care benefits provided for by the
15 employer and shall retain all rights of employment as
16 established under the DROP member's collective bargaining
17 agreement.

18 The DROP member shall not accrue additional service credit
19 in the pension fund or retirement system while participating
20 in the DROP, regardless of any service accruals, future pay
21 increases, active cost of living adjustments, or promotions.
22 Additionally, the DROP member shall not be eligible to
23 purchase any optional service credit or to repay any refunds.

24 Eligibility for a surviving spouse benefit shall be
25 determined at the time of the DROP election.

26 Any amounts due to an alternate payee under a Qualified

1 Illinois Domestic Relations Order under Section 1-119 shall be
2 calculated at the time of the DROP election and such amounts
3 shall be payable at the time of election.

4 If the DROP member's designated beneficiary predeceases
5 the DROP member and the DROP member dies before designating a
6 new beneficiary, the DROP member's DROP account shall be paid
7 to the DROP member's estate.

8 When determining if a member is owed a refund of
9 contributions due to the member's death prior to collecting an
10 amount equal to or greater than the member's contributions,
11 the proceeds of the DROP account shall be considered part of
12 the total payment made to the member or the member's estate.

13 (k) It is intended that the DROP shall not jeopardize the
14 tax qualified status of the pension fund or retirement system.
15 The pension fund or retirement system shall have the authority
16 to adopt rules necessary or appropriate for the DROP to
17 maintain compliance with applicable federal laws and
18 regulations. Notwithstanding any other provision of this Code,
19 all benefits provided under the DROP shall be subject to the
20 requirements and limits of the Internal Revenue Code of 1986,
21 as amended.

22 (l) Each applicable pension fund or retirement system
23 shall be the administrator of the DROP plan created in this
24 Section. The administration shall be subject to any applicable
25 laws, and the pension fund or retirement system shall
26 administer the program in the best interest of the DROP

1 members in a way that a prudent person in a similar
2 circumstance would.

3 Section 99. Effective date. This Act takes effect upon
4 becoming law.