CONCURRENCE IN SENATE AMENDMENTS
AB 1054 (Gipson)
As Amended August 13, 2026
Majority vote

SUMMARY

Creates the Deferred Retirement Option Program (DROP) – a voluntary program – for California Public Employee′s Retirement System (CalPERS) safety plan members of State Bargaining Units 5 (Highway Patrol) and 8 (CAL FIRE), among other provisions.

Senate Amendments

1) Clarify that service performed during the program period must not be counted as state service for postretirement health vesting, and that compensation earned during program participation must not be applied to the calculation of final compensation for purposes of retirement for service or retirement for disability.

2) Prohibit (i) a member from electing to purchase service credit after their election to participate in the DROP, and (i) a patrol member from participating in the DROP beyond age 60 (consistent with existing law relating to their mandatory age of retirement).

3) Add that supervisory or managerial employees of the CHP or CAL FIRE, respectively, who would otherwise be included in the applicable State Bargaining Unit, but for supervisory or managerial designation, may elect to participate in the program.

4) Clarify the timeline of when the required actuarial analysis is required.

5) (i) Add that program participants maintain rights, privileges, and benefits relating to post-retirement health care; (ii) add existing law preretirement death and preretirement 1959 survivor allowance benefits, if a DROP participant dies during their program period and prior to their elected deferred retirement date; and, (iii) expand the definition of ″annuitant,″ thereby permitting a person, or a surviving family member of that person, whose deferred retirement date is within 120 days of separation from the DROP and who receives a retirement allowance under any state retirement system to which the state was a contributing party to enroll in a health benefit plan under the Public Employees′ Medical and Hospital Care Act.

6) Remove the provision authorizing the employer to make contributions to a participant′s program account pursuant to the terms of a memorandum of understanding and, for purposes of consistency in this regard, also remove provisions that prohibit a participant from making certain claims of entitlement or receipt of employer contributions.

7) Narrow by removing unused sick and unused vacation leave from being credited to a participant′s program account, and modify the accrual of interest credited semiannually to be a money-weighted rate of return for the prior fiscal year minus 1.5 percent while maintaining prior provisions relating to the accrual of interest.

8) Require CalPERS to commence paying the member their monthly retirement allowance as of the first day of the month following the deferred retirement date.

9) Establish that the Legislature reserves the right to suspend the program through legislative action ratified by the Governor, if the Department of Finance, in consultations with the CalPERS actuary and the California Actuarial Advisory Panel determines that a deleterious economic event has substantially weakened CalPERS′ financial position. If the Legislature and Governor approve the program′s suspension, benefit accruals of all participants must terminate on the effective date of legislation suspending the program and no participant, eligible spouse, or beneficiary will have having a vested right to any prospective program benefit after the legislation′s effective date.

10) Make other related technical and clarifying amendments.

COMMENTS

What is a DROP and How Does it Work? ″A DROP offers eligible employees an alternative path to retirement. In a DROP, a member who reaches retirement eligibility can elect to continue working while ″freezing″ their pension calculation. During participation in a DROP, rather than continuing to accrue increased retirement benefits based on additional years of service and salary adjustments, the employee′s monthly retirement allowance is calculated as of their DROP entry date and those payments are deposited into a separate interest-bearing account. Upon the employee′s ultimate retirement date, the accumulated value of the DROP account is distributed to them in a lump sum payment.″[1]

As a rudimentary example of how this bill would work*:* Patrol Officer Pixie Offbeat has 32 years of dedicated service for the California Highway Patrol (CHP). Pixie has achieved a combination of minimum years of service and age such that she is eligible to retire. Although Pixie thoroughly enjoys serving the public, thoughts of retirement and being able to travel while receiving a pension are enticing her to do so. But, the CHP values Pixie′s years of knowledge and skill and wants (or needs) her to stay several more years to train Newton Coplin – a new highway patrol officer, who will be responsible for patrolling Pixie′s patrol area if/when Pixie retires. The CHP informs Pixie about its DROP. Pixie then decides to file for retirement, which ″freezes″ her pension at that time, to participate in the DROP where Pixie will be able to continue to work, earn income, contribute to her DROP account, but defer receiving her pension until a later date when she ultimately decides to retire for good and travel. When Pixie ultimately retires for good, she will receive money saved and interest accrued in her DROP account via a lump-sum payment and start receiving her pension.[2]

DROP Plans are Not New in California. Since 2004, the County Employees Retirement Law of 1937 has authorized county employee retirement systems to provide eligible members who elect to participate in the program, access to a lump sum, or in some cases, additional monthly payments for a specified period in addition to a monthly retirement allowance.[3]

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[1] *″Deferred Retirement Option Plans (DROP): An Actuarial Perspective.″* California Actuarial Advisory Panel in response to a request from the Legislative Committee of the State Association of County Retirement Systems regarding DROP under the County Employees Retirement Law. March 11, 2024.
[2] As stated, the example is rudimentary. Therefore, it is only intended to generally provide a basic description and understanding of a DROP and how this bill would work. It is not intended to solely be factually relied upon. It is highly advised that an individual interested in DROP participation consult with their DROP sponsor/administrator, a professional financial planner, licensed tax advisor, and/or or legal counsel.
[3] Chapter 897, Statutes of 2003 (Senate Bill 274, Soto).

Following a multi-year effort by certain employee groups, the County of San Diego recently implemented a DROP plan that allows some staff to simultaneously collect their salaries and pensions.[4] An independent actuarial analysis submitted to the San Diego County Employees Retirement Association (SDCERA) of the proposed DROP benefits was based on a draft implementation Ordinance that was tentatively agreed to by the county and various safety employee bargaining parties. This independent actuarial analysis concluded that the proposed DROP under the terms of the draft implementation Ordinance is cost neutral, among other important information.[5] In another example, after media investigation, negative coverage, and negative public policy experience stemming from reports of employment manipulation and pension abuse by certain segments among employees of the City of Los Angeles relating to its DROP, the former city Mayor spearheaded a reform of the program to address these issues, among others.[6]

This Bill Proposes to Address Statewide Challenges, Provide Potential Benefits, and Includes Various Public Policy Guardrails. This bill proposes to help address the state's challenges regarding recruitment and retention in the CHP and CAL FIRE by allowing certain highly skilled, trained, and experienced public safety personnel to remain employed for up to 60 consecutive months, with certain exceptions for patrol members, after they reach the age and years of service that would make them eligible to retire. In so doing, it supports the state's efforts to maintain and enhance critical public safety needs while new recruits/hires are brought online by allowing the employer and public to continue to rely on critical human capital and their expertise for a limited period of time, and in a manner that addresses considerations regarding tangible and intangible taxpayer costs (e.g., public safety needs/concerns and future pension-related obligations).

Please refer to the various policy committee analyses for a full discussion of this bill.

According to the Author
"The CHP has become the statewide law enforcement entity. CAL FIRE is the state's fire department. Both are increasingly called upon to respond to complex, large-scale emergencies, including wildfires, natural disasters, and statewide public safety incidents. These evolving responsibilities require highly experienced officers and firefighters with specialized training and institutional knowledge. However, recruitment and retention have resulted in a chronic shortage of personnel at a time when operational demands are increasing. While a DROP exists in other localities and in other states, there is currently no system in place to allow for a deferred retirement for CHP and CAL FIRE, limiting the ability of these departments to retain seasoned officers and firefighters beyond retirement eligibility. [This bill] seeks to address this shortage by establishing a voluntary DROP program within CalPERS for eligible employees within State Bargaining Units 5 and 8. This program is intended to retain experienced personnel while supporting long-term recruitment and training efforts."

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[4] *"Keeping experienced staff, or 'double dipping?' San Diego County Oks controversial DROP pension plan."* San Diego Union-Tribune, January 14, 2026.
[5] *"Deferred Retirement Option Plan (DROP) Cost Neutrality Study* (based on June 30, 2024, valuation)." The Segal Group presented to SDCERA, December 9, 2025. https://content.sdcera.org/wp-content/uploads/2025/12/2025_Deferred_Retirement_Option_Program_DROP_Cost_Neutrality_Study.pdf
[6] *"LA police, firefighters rush to join controversial DROP program. The program that pays veteran responders nearly double for the last five years of their careers received a flood of new enrollees in February."* Police1, April 16, 2018. *"Controversial retirement program for L.A. police and firefighters would be reformed under new proposal."* The Los Angeles Times, August 24, 2018.

Arguments in Support
The CAL FIRE Local 2881 and the CAHP express, ″[t]he CHP has taken on an increasingly diverse and dangerous mission as it is now called upon to serve as the statewide law enforcement entity. The CAL FIRE is California′s fire department, and the new normal of catastrophic disasters has significantly increased the complexity of its mission. The challenges now being confronted by the CHP and CAL FIRE are dangerously protracted and require experience and expertise to confront. Lack of recruitment and retention of seasoned vets has resulted in a chronic shortage of personnel needed. [This bill] will allow an officer/firefighter who is eligible for retirement to continue working for up to five additional years while accumulating retirement benefits in an interest-bearing account. Upon retirement, the officer/firefighter will receive their accumulated funds, supplementing their pension. DROP serves as a voluntary program allowing eligible officers and firefighters to extend their careers while securing enhanced retirement benefits at no cost to the state. [This bill] not only addresses the critical staffing shortage but retains the knowledge and experience of veteran officers and firefighters which will greatly enhance public safety.″

Arguments in Opposition
According to the California Policy Center, ″[DROPs] are, at their core, a form of double-dipping by allowing retirement-eligible employees to simultaneously collect a pension deposited into a separate account and continue drawing a full salary for the same work. This practice is out of line with what the private sector offers and is patently unfair to taxpayers who foot the bill. Rather than incentivizing experienced employees to transition out of government service at the appropriate time, DROP programs perversely reward them for staying on while collecting two streams of public compensation and increasing the government′s unfunded liability. The deeper fiscal danger of DROP programs lies in how they interact with California′s already chronically underfunded pension systems. Pension costs that appear manageable under optimistic actuarial assumptions can deteriorate rapidly when market conditions shift. Layering a DROP benefit on top of an already stressed defined benefit system – as [this bill] proposes for CalPERS – adds new actuarial complexity and cost exposure at precisely the moment when the state should be moving in the opposite direction. The bill′s requirement of a cost neutral actuarial analysis before implementation offers cold comfort given California′s well-documented history of pension actuaries producing optimistic assumptions that consistently understate long-term costs.″

FISCAL COMMENTS

According to the Senate Committee on Appropriations, this bill would result in the following:

1) The CalPERS estimates one-time implementation costs of $1.8 million to establish DROP. The majority of these costs would be associated with information technology system enhancements. Additional one-time costs would include conducting the initial actuarial analysis, adopting regulations, developing educational and training materials, updating internal procedures, and responding to increased call center activity during implementation. CalPERS would incur ongoing administrative costs potentially reaching $800,000 annually, depending on the number of members who elect to participate in the program. These costs would support member enrollment and elections, payroll processing, account balance tracking and distributions, member education and customer service, and actuarial and legal support (Public Employment Retirement Fund).
2) The CAL FIRE anticipates that this bill would have an unknown fiscal impact (General Fund). The Department notes that while the bill stipulates that CalPERS must certify the

DROP as cost neutral before it can be implemented, this bill would allow for continued employer contributions to the employee′s DROP account to be collectively bargained, and exempt this increase from the bill′s cost-neutral requirements.

3) The CHP estimates that this bill could result in significant ongoing personnel costs by allowing retirement-eligible officers to remain in their positions rather than retire and be replaced by lower-cost newly appointed officers. Based on participation rates observed in similar DROP programs, CHP assumes that approximately 87 percent of eligible retiring officers would participate, resulting in an estimated 331 new DROP participants annually. After accounting for some employees leaving the program before the maximum five-year participation period, CHP estimates participation could grow to approximately 1,500 officers by the fifth year.
   The CHP estimates that each participating officer could increase department costs by approximately $7,800 per month compared to replacing the employee with a newly appointed officer. This includes both higher salary costs and increased CalPERS employer contributions associated with retaining more senior employees. Based on projected participation levels, CHP estimates additional personnel costs could increase from $31 million in the first year to $140 million annually by the fifth year (Motor Vehicle Account). The CHP notes that its estimates are limited to salary and pension contribution differences and do not include other potential costs, such as overtime, backfill staffing, workers′ compensation, industrial disability leave, administrative workload, academy planning impacts, salary increases, or other compensation affecting retirement calculations. Actual costs could be significantly higher and continue beyond the five-year period depending on employee participation, retention duration, and the number of officers who otherwise would have retired and been replaced.
4) Potential long-term cost pressures on the CalPERS retirement fund of an unknown but potentially significant amount, potentially in the millions to tens of millions of dollars annually. Prior CalPERS actuarial analyses of proposed DROP programs have found that, when employees act in their own financial interest, DROP programs are unlikely to be cost-neutral because they may provide benefits beyond those employees would otherwise receive under the existing retirement system. For example, approximately 75 percent of peace officers already work beyond the maximum retirement age. For these employees, participation in the DROP program could result in additional retirement benefits that would not have otherwise been paid during their continued employment. Over time, these additional liabilities could increase CalPERS′ unfunded liability and require higher state and local employer contributions.

5) Increased health care provider costs to the State as a direct employer. The magnitude is unknown.

VOTES:

ASM PUBLIC EMPLOYMENT AND RETIREMENT: 7-0-0
YES: McKinnor, Alanis, Boerner, Elhawary, Garcia, Chen, Nguyen

ASM APPROPRIATIONS: 14-1-0
YES: Wicks, Hoover, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache, Ta, Tangipa
NO: Dixon

ASSEMBLY FLOOR: 68-1-11
YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, Elhawary, Ellis, Flora, Fong, Gabriel, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO: DeMaio
ABS, ABST OR NV: Arambula, Dixon, Gallagher, Johnson, Lackey, Macedo, Papan, Celeste Rodriguez, Sanchez, Ta, Tangipa

UPDATED

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