
SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No:	AB 1383	Hearing Date:	June 24, 2026
Author:	McKinnor		
Version:	May 13, 2026		
Urgency:	No	Fiscal:	Yes
Consultant:	Glenn Miles		

SUBJECT: Public employees' retirement benefits

KEY ISSUE

This bill requires public employers to raise their PEPRA firefighter and peace officer safety pension benefit formulas to new formulas (hereafter referred to as McKinnor formulas) effective January 1, 2027, to give at age 55 what their PEPRA formula gives at age 57 unless the parties bargain for a higher or lower McKinnor formula, as specified.

The bill freezes existing PEPRA *safety* formulas to apply only to service from January 1, 2013, to December 31, 2026, and provides new formulas for service from 1/1/27.

It also increases the PEPRA pensionable compensation caps (i.e., the maximum amount that the pension system will use to calculate a member's pension) for ***both non-safety and safety members*** in two ways. The McKinnor cap first resets the PEPRA base from the 2013 Social Security 430(b) limit to the 2027 limit. Second, it increases the percentage from 120% of the PEPRA base to 135% of the McKinnor base for safety members. In short, it raises pensions for those employees whose compensation is above the existing PEPRA caps. Under the McKinnor cap, a *non-safety* member would have to earn above \$184,500 and a *safety member* would have to earn above \$249,075 before their respective compensation was limited for purposes of calculating their pension.¹

¹ McKinnor Two-step adjustment to raise the pension compensation limits:

- PEPRA 2013 CPI adjusted base raised to McKinnor 2027 CPI adjusted base
- Non-safety limit: 100% of PEPRA base (\$159,733) raised to 100% of McKinnor base (\$184,500)
- Safety limit: 120% of PEPRA base (\$191,679) raised to 135% of McKinnor base (\$249,075)

In dollar terms:

- PEPRA: \$159,733 (originally \$110,100 in 2013) pension compensation limit raised to McKinnor: \$184,500 for non-safety
- PEPRA: \$191,679 (originally \$132,120 in 2013) pension compensation limit raised to McKinnor: \$249,075 for safety

The change from PEPRA's 2013 base as adjusted by CPI to the McKinnor 2027 base *affects all public retirement system members, not only safety members*.

The higher limits result in higher pensions for members who currently are earning more than the existing PEPRA compensation limits. For example, a firefighter whose compensation is at the new cap with 30 years of service, retiring at 57 would receive approximately \$201,751 annually instead of \$155,260. If that firefighter lived until 77 years of age (i.e., 20 years), this bill's change just in the base would provide an additional lifetime pension increase of \$929,820. Furthermore, if their employer offers the optional fourth McKinnor formula, that firefighter would receive a pension of \$224,168 annually or \$4,483,360 (PVB) if they lived until 77 (i.e., 20 years). This should be a conservative estimate given that actuarial mortality factors are increasing (i.e., people are living longer, especially the highly compensated).

CalPERS estimates that imposing the first three McKinnor formulas ² and compensation limit base would raise the system's *normal cost* by \$282 million annually and increase member benefits by \$4.8 billion in present value of benefits (PVB). This estimate does not include the fourth McKinnor formula ³ which is bargainable, and which CalPERS estimates would raise *normal costs* by \$353 million annually and increase members' PVB by \$3.4 billion.

Because historically, CalPERS has not been 100% funded, it is likely that it will continue to collect less than *actual* normal costs and that the bill's future costs will include undetermined unfunded liability costs associated with the McKinnor benefits indefinitely.

ANALYSIS

Existing law:

- 1) Establishes the Public Employees' Pension Reform Act of 2013 (PEPRA) which applies to all public employers and public pension plans on and after January 1, 2013. (Government Code § 7522 et seq.)
- 2) Establishes a cap on the amount of compensation that can be used to calculate a retirement benefit for all new members, as specified, of a public retirement system equal to the Social Security wage index limit (originally \$110,100, now \$159,733) for employees who participate in Social Security, or 120% of that limit (originally \$132,120, now \$191,679) if they do not participate in Social Security. (Government Code § 7522.10)
- 3) Requires the retirement systems to adjust the compensation cap annually, as specified, based on changes in the Consumer Price Index (CPI) for all Urban Consumers. (Government Code § 7522.10 (d))
- 4) Specifies that the Legislature reserves the right to modify the annual CPI adjustments to the compensation cap prospectively. (Government Code § 7522.02 (d)(2))
- 5) Prohibits an employer from offering a defined benefit (DB) plan, or combination of DB plans, on compensation in excess of the compensation cap. (Government Code § 7522.02 (e))
- 6) Allows an employer to offer a defined contribution (DC) plan on earnings above the compensation cap up to the federal limit on compensation that can be creditable to DB plans. Any such DC plan must comply with federal laws, and employees do not have a vested right to an employer contribution to such a plan. (Government Code § 7522.02 (f))
- 7) Defines "new member" with regard to eligibility for PEPRA as:

² (i.e., McKinnor Basic Safety 2% @ 55, Safety Option One 2.5% @ 55, and Safety Option Two 2.7% @ 57)

³ (i.e., McKinnor Safety Option 3 3% @ 55 w/ pension limited to 90 % final compensation)

- a) An individual who has never been a member of any public retirement system prior to January 1, 2013.
 - b) An individual who moved between retirement systems with more than a six month break in service, as specified.
 - c) An individual who moved between public employers within a retirement system after more than a six month break in service, as specified. (Government Code § 7522.04 (f))
- 8) Defines “Normal Cost” to mean the portion of the present value of projected benefits under the defined benefit that is attributable to the current year of service, as determined by the public retirement system’s actuary according to the most recently completed valuation. (Government Code § 7522.04 (g))
- 9) Specifies that the retirement formula for the DB plan will be 2% at age 62 for all new non-safety employees, excluding teachers. The formula is adjusted to encourage members to retire at later ages. The earliest an employee would be eligible to retire is age 52 with a 1% factor and the maximum retirement factor of 2.5% is provided at age 67. (Government Code § 7522.20)
- 10) Specifies that the retirement formula for new members of the California State Teachers’ Retirement System (CalSTRS) will be 2% at age 62. The earliest an employee would be eligible to retire is age 55 with an actuarially reduced formula, and with a maximum formula of 2.4% at age 65. (Government Code § 7522.02 (c), Education Code § 24202.6 and § 24202.7)
- 11) Provides for three retirement formulas for the DB plan that apply to new safety employees, as specified. The three formulas are: 2% at age 57 (basic plan); 2.5% at age 57 (safety option plan one); and 2.7% at age 57 (safety option plan 2). (Government Code § 7522.25)
- 12) Requires contributions from employees to the DB plan to equal to one-half of normal cost of the DB. (Government Code § 7522.30)
- 13) Requires that final compensation be defined for all new employees as the highest average annual compensation over a three-year period. (Government Code § 7522.32)
- 14) Defines “pensionable compensation” and prohibits the following types of compensation from being used to calculate a retirement benefit: compensation paid to enhance a retirement benefit; compensation previously provided “in-kind” and converted to cash in the final comp period; one-time or ad hoc payments; severance pay; pay for unused leave or time off; pay for work outside of normal hours; uniform, housing or vehicle allowances; pay for overtime, except planned overtime, extended duty workweek, or pay defined in the federal labor codes; employer contributions to DC plans; bonuses, and other pay determined to not be pensionable compensation. (Government Code § 7522.34)
- 15) Limits the maximum salary taken into account for any retirement plan (DB and DC combined) to the federal limit established under 401(a)(17) of the Internal Revenue Code (IRC) and prohibits an employer from seeking a federal exemption from the limit. (Government Code § 7522.42)

- 16) Prohibits an employer from making contributions to any public retirement plan (DB or DC) on any amounts of compensation that exceeds the 401(a)(17) limit. (Government Code § 7522.42)
- 17) Prohibits a public employer from offering a benefit replacement plan for any member or survivor who is subject to the federal limit on benefits established by section 415(b) of the IRC for an employee first hired on and after January 1, 2013, or to any group of employees that was not offered a benefits replacement plan prior to that date. (Government Code § 7522.43)
- 18) Prohibits a retroactive enhancement to a benefit formula, either due to a change to an existing formula, or due to a change to the retirement classification for a specific job. (Government Code § 7522.44)
- 19) Requires a public employer's contribution to a defined benefit plan, in combination with employee contributions, to be not less than the normal cost rate for that defined benefit plan for that fiscal year. (Government Code § 7522.52)
- 20) Prohibits post-retirement employment from exceeding 960 hours in a consecutive 12 month period. If a retiree receives unemployment benefits, he or she is prohibited from working for 12 months as a retiree for a public employer.
- 21) Prohibits a person who retires on or after January 1, 2013, from returning to work as a retired annuitant for a period of 180 days after retirement unless the action is approved in an open meeting, as specified by the governing body of the employer, or by California Department of Human Resources (CalHR) authority if state retiree, as specified. However, in no case could a person who receives a retirement incentive (e.g., a "golden handshake") return to work as a retired annuitant for a period of 180 days after retirement. (Government Code § 7522.56)
- 22) Establishes the following exceptions to 180 day rule:
 - a) The retiree is participating in the Faculty Early Retirement Program pursuant to a collective bargaining agreement with the California State University.
 - b) The retiree is a public safety officer or firefighter.
 - c) The retiree is a trustee, administrator, or fiscal advisor appointed to address academic or financial weaknesses in a school or community college district, pursuant to specified requirements.
 - d) The retiree is a subordinate judicial officer whose position, upon retirement, is converted to a judgeship and he or she returns to work in the converted position.
 - e) The retiree is a person taking office as a judge, as specified. (Government Code § 7522.56)
- 23) Allows more flexibility for bargaining increased cost sharing between employers and existing employees in CalPERS and retirement systems established pursuant to the County Employees' Retirement Law of 1937 (37 Act). Using impasse procedures to impose cost sharing arrangements achieved through this new flexibility would be prohibited if the

proposed contribution exceeds statutorily required contributions for current employees or half of the normal cost of benefits for employees first hired on or after January 1, 2013. (Government Code § 7522.30)

This bill:

- 1) Freezes existing PEPRA safety formulas and makes them applicable only for service from 1/1/2013 – 12/31/26, increases safety retirement plans as of 1/1/2027 for all public employers, and makes the new McKinnor formulas bargainable, as specified.
- 2) Requires employers to move, beginning January 1, 2027, from their existing PEPRA safety formula⁴ to one of three new, richer McKinnor retirement formulas that would give at age 55 what their PEPRA formula gives at age 57 unless the parties bargain for a higher or lower McKinnor formula, as specified.⁵ However, the bill prohibits employers from using impasse procedures to impose a lower plan.
- 3) Establishes a bargainable fourth McKinnor formula that would provide 3% @ 55 rather than PEPRA's current maximum formula that provides 2.7% @ 57.
- 4) Resets, through a two-step modification, PEPRA's limits on compensation that a retirement system is permitted to include in the calculation of a member's retirement.⁶
 - First, the bill increases the 2013 adjusted base on which a retirement system determines the pensionable compensation caps by mandating the system use the 2027 Social Security 430 (b) base instead, for all retirement system members, non-safety as well as safety.⁷
 - Second, it increases for members not covered by Social Security (e.g., safety members) the pensionable compensation cap from 120% to 135% of the new 2027 Social Security 430(b) base.
- 5) After imposing one of the McKinnor formulas closest to the employer's PEPRA formula, authorizes a public employer and a recognized employee organization to negotiate for a

⁴ Current law requires employers to offer one of three PEPRA safety formulas:

- o Basic Safety 2% @ 57
- o Safety Option One 2.5% @ 57
- o Safety Option Two 2.7% @ 57
- o (PEPRA has no fourth formula like the McKinnor Option Three)

⁵ The bill creates the following four McKinnor Formulas; mandates employers to move to one of the first three, as specified; and authorizes bargaining to move from that formula to one of the other McKinnor formulas.

- o McKinnor Basic Safety 2% @ 55
- o McKinnor Safety Option One 2.5% @ 55
- o McKinnor Safety Option Two 2.7% @ 57
- o McKinnor Safety Option Three 3% @ 55 w/ pension limited to 90 % final comp

⁶ see Footnote 1.

⁷ The change from PEPRA's 2013 base as adjusted by CPI to the McKinnor 2027 base affects all public retirement system members, not only safety members.

different McKinnor formula for a prospective increase to the retirement benefit formulas for safety members and new safety members.

- 6) Specifies that a PEPRA member with mixed service in PEPRA and the fourth McKinnor formula is subject to PEPRA's normal cost sharing provisions but is unclear whether a new member is subject to those provisions after the bill's effective date.
- 7) Exempts the Judges' Retirement System (JRS) and JRS II from the bill's provisions.
- 8) Requires that benefit formula increases adopted pursuant to this bill, be established in accordance with PEPRA's prohibition against retroactive benefit increases.
- 9) Declares that it is the intent of the Legislature that this act shall not be construed to affect any retirement benefits or pension rights accrued before its effective date.
- 10) Finds and declares the following approximately: the state is experiencing significant challenges recruiting firefighters, police, and other first responders; firefighters face heightened risks of occupational diseases; these high-stress positions contribute to increased rates of disability, injury, and early retirement; it is necessary to adjust safety employee pension formulas to sustain an effective workforce and address occupational challenges; retirement benefits should be collectively bargained; and current compensation caps are too low.

COMMENTS

1. Background and Concerns:

PEPRA's Historical Context

It is ironic that Alan Greenspan has died the same week we consider this proposal. Under his stewardship as Chairman of the Federal Reserve, the United States experienced an unprecedented period of low interest rates and economic growth from 1990 to 1999, after recovering from the 1987 Black Friday II stock market crash.⁸ California experienced severe budget deficits in the beginning of the 1990s, causing public employee compensation to remain relatively stagnant through most of the decade while private sector compensation grew rapidly from growth related to the Dot Com boom in emerging technology. That same growth, something Greenspan later attributed to "irrational exuberance" in the stock market, fueled CalPERS' investment returns (similarly to current market returns that are often attributed to expected productivity increases from innovative companies developing Artificial Intelligence technology).

During that period, CalPERS' portfolio grew from \$57.5 billion to \$171.9 billion. CalPERS' investment earnings "had averaged 13.5 percent for a decade, soaring in the two prior years

⁸ This period coincided with the opening of previously closed economies, which created high savings rates abroad. Apparently, Greenspan himself believed the investment of those savings in the United States was more responsible for keeping interest rates at historically low levels and inflating asset prices than his policies, as unprecedented levels of investment chased a limited number of assets.

¹² *Senate Floor Analysis of SB 400, as amended 9/7/99*, page 9,
[https://lis.caegis.net/LISWeb/faces/bills/billanalysis.xhtml;jsessionid=hYvwdMygxKWCpyUee
xbNS_cOMhe5D_Ct9Ivv-No1-F4TITS2a3E0!779765674!2138330037](https://lis.caegis.net/LISWeb/faces/bills/billanalysis.xhtml;jsessionid=hYvwdMygxKWCpyUeexbNS_cOMhe5D_Ct9Ivv-No1-F4TITS2a3E0!779765674!2138330037)

PEPRA “Savings”

AB 1383’s proponents, citing a CalPERS presentation at a January 12, 2024, stakeholder forum, argue that PEPRA has worked so well in reducing pension costs that it “has generated savings to employers of over \$4 billion in the first 10 years of implementation and is forecasted to save more than \$24 billion over the next 10 years.” Yet, in that same period according to its current assumptions, CalPERS will only reach a 90 percent funded status.¹³

It is important to understand what the proponents mean by savings. They are referring to the cost employers have avoided paying to CalPERS by going from the SB 400 formulas to the PEPRA formulas. Costs that would have occurred are not occurring because we have the PEPRA formulas instead of the SB 400 formulas. But cost avoided isn’t really savings available. There is no \$ 4 billion in actual savings in some fund. It’s a bit like the difference between having a \$10,000 car loan reduced by 20% versus having a paid off car and \$2,000 in the bank. In the first case, you are still in debt \$8,000. In the second case, you are not in debt and have \$2,000 you can spend or invest. We are still in debt for the enhanced SB 400 formulas passed in 1999 and the unrealized expected investment return from lost assets following the Dot Com Crash and 2008 Financial Crisis. This proposal will likely result in that debt growing, and that’s assuming that CalPERS’ assumptions pan out, that investment performance continues to outpace the CalPERS’ discount rate, and that no significant deleterious economic event occurs.

AB 1383 Risks

According to the California Actuarial Advisory Panel (CAAP):

“In addition to increasing liabilities and normal cost rates, the changes to the benefit formulas and compensation limits can be expected to increase the future volatility of costs. Higher benefits must eventually result in higher liabilities and assets. With more assets invested in the market, investment risk will go up. With higher liabilities, changes in behavior or assumptions that affect those liabilities - such as a potential future reduction in the discount rate - will have a greater impact on the required contributions.

The changes in the benefits may also result in modifications in member behavior that could result in other unexpected downstream effects. For example, improvements in the benefit multiplier for public safety members at earlier ages could result in changes in the retirement patterns for these members. These changes may not only affect plan costs, but also other compensation and personnel-related costs, such as post-retirement medical benefits and training or recruitment expenses.”

In other words, if the market goes south and/ or members work longer to earn higher pensions under the McKinnor formulas than they otherwise would have under the PEPRA formulas, both pension costs and other employer costs will be higher than these estimates. Moreover, CalPERS’ estimates for AB 1383 are based on 2024 data. The economy has become much more volatile in the last 2 years with the Iran war-related and Trump tariff-related inflation spikes, the increasing concern over private equity valuations (where

¹³ 2024 Annual Review of Funding Levels and Risks Report, CalPERS Finance and Administration Committee, November 19, 2024, Agenda Item 6a, Attachment 2, Page 5

CalPERS has substantially increased its portfolio weighting), the potential that we are living through another era of “irrational exuberance” in the stock market driven by AI technology investments, and the expected disruption of economic activity by those AI innovations.

AB 1383’s Potential Inequity from Lifting the Compensation Caps

According to CAAP:

“For PEPRAs members, current statutes require that members pay at least half of the normal cost (subject to rounding provisions for some groups). As discussed above, the overall normal cost is expected to increase for all groups if they include members with benefits that are expected to be affected by the current PEPRAs compensation limits, including non-Safety groups. If this occurs, PEPRAs member contribution rates will increase for all members of the group, unless the employer negotiates to pay more than half the normal cost, which would now be allowed under AB 1383. In other words, it is likely that all PEPRAs members would be required to contribute more, even though only the more highly compensated individuals will experience any benefit improvement, at least for the non-Safety groups.”

In other words, lower compensated employees whose salary will never hit the current compensation limits will pay more so that highly compensated employees can get an even larger pension.

Unintended Victims if Cost Estimates Are Incorrect (as they almost always are)

Pension benefits, with good reason, have special protection in California under constitutional case law. Once given, employers can almost never take back the benefits for members who were working when the new benefits were offered. If benefit costs exceed projections, pension systems’ unfunded liability goes up. That requires the systems to raise employer and employee pension contributions. Those increased costs reduce public funding that could otherwise be used to support vulnerable communities who depend on public services for other critical services, especially in health and welfare programs. Because projected costs are likely to increase during economic downturns, these reductions hit those vulnerable communities at the moment they most need public services and when public employers’ resources are most strained.

Ironically, public employee recruitment and retention can also suffer significantly since public employers often respond to resource and cost pressures from increased personnel costs and economic downturns by eliminating positions. That can result in fewer employees being pressured to do far more work with a lot less help and fewer resources. It can also lead to younger employees being blocked from advancement opportunities because of position and wage freezes.

AB 1383’s Effect on Local Government with Pension Systems other than CalPERS

The proponents have focused exclusively on costs to the state from changes to CalPERS’ plans. However, AB 1383’s provisions mandate that all public pension funds adopt the McKinnor compensation caps and formulas. There are 20 CERL county systems and several other independent systems that will face increasing costs because of AB 1383’s mandate. Those costs have not been evaluated, presumably because they are local costs not General Fund costs. Yet should those local governments fail to be able to pay the increased pension

costs, there will be great pressure for the state to bail them out. In any event, those costs will compound the reduction for services to vulnerable populations as outlined above, given that counties and local districts play an outsized role in providing those services. Committee time constraints prevent a substantive analysis of this bill's potential impact on local government, but opponents and researchers have expressed significant concern that local governments are already under-resourced and unprepared for AB 1383's costs.¹⁴ For example, according to a coalition of local government associations, including the California State Association of Counties:

"Unfortunately, pension costs for many California public agencies continue to be a challenge, threatening the delivery of basic public services, compromising general fund budgets and, indeed, posing a long-term fiscal challenge to the State itself. That is why it is increasingly important that any change to the system be sustainable, fair to taxpayers and employees, and provide long-term financial stability. Any change to PEPR must protect the fiscal integrity of public agencies and retirement for public employees."

Concluding Considerations

AB 1383 proponents argue that public employees and employers are best positioned to develop the appropriate level of employee compensation and benefits to accomplish their mission of providing services to the public through the collective bargaining process and that AB 1383 restores that flexibility to create mutually agreeable approaches to public financing challenges.

Certainly, neither public employees nor their employers have any interest in policies and programs that could threaten their pension plans. But, upon his passing, Alan Greenspan reminds us that self-interest is not sufficient to prevent parties from causing great calamity to themselves, and to innocent bystanders. "Those of us who have looked to the self-interest of lending institutions to protect shareholders' equity, myself included, are in a state of shocked disbelief," he stated to the House Committee on Oversight and Government Reform on October 23, 2008, testifying on the causes of the 2008 Financial Crisis.¹⁵

2. Recommended Amendments for future consideration:

Increases to public pension benefits create substantial risks to pension funds, state and local government finances, and to the state's well-being precisely because the courts and our constitution vigorously and rightly guard any effort to reverse those benefits once promised and once the beneficiary has responded to that promise, even during economic shocks.

Given our historical experience and current economic volatility, if the Legislature is going to expand public pension benefits, it should do so with a series of "shock absorbers" in the event that a severe financial crisis once again threatens our economic security.

¹⁴ State Association of County Retirement Systems (SACRS) June 3, 2025, letter to Honorable Tina McKinnor; *Local Governments Not in Position for AB 1383*, Reason Foundation, May 2026

¹⁵ *Alan Greenspan Was Wrong About One Thing. It was a Big One*. New York Time, June 22, 2026, <https://www.nytimes.com/2026/06/22/opinion/alan-greenspan-federal-reserve.html>

The following amendments are recommended for future consideration to provide some of those shock absorbers:

- Limit the change to the base year of the compensation cap to safety members only and delay implementation one year to January 1, 2028.
- Raise the percentage applied against the compensation cap to 125% not 135%
- Disallow employer paid contributions to a *defined contribution* plan for compensation in excess of the new compensation limit.
- Eliminate the mandate on employers to implement the new McKinnor formulas and instead allow those to be bargained.
- Conforming with above, do not freeze existing PEPRA formulas, unless the employer and employee have bargained for a new McKinnor formula.
- Reduce from 4 McKinnor formulas to 3 by eliminating the 3%@55.
- Allow the parties to bargain for a pension cap of 100% of compensation for all McKinnor formulas.
- Prohibit Deferred Retirement Option Programs (DROP) for a member that is subject to a McKinnor Formula.
- Reserve the Legislature's power to suspend the McKinnor formulas and revert back to the PEPRA formulas if warranted by economic conditions, as specified.

If adopted the amendments help reduce public employers' and pension funds' risk exposure, ensure that the increased benefits are sustainable, provide time for the parties to bargain for the increased benefits, and provide flexibility for the Legislature to respond appropriately to another financial crisis should one occur.

In any case, the author should consider some mechanism going forward to link the bill's program availability to the state's economic condition, perhaps through the condition of the state's rainy day fund.

3. Need for this bill?

According to the author:

“According to a 2024 CalPERS report, since its inception, the PEPRA has generated approximately \$5 billion in savings during the first 10 years of implementation and is forecasted to save more than \$24 billion over the next 10 years. As of June 30, 2024, the PEPRA has achieved approximately \$5.8 billion in savings to the state since 2013 and is projected to accelerate and increase those savings during the remainder of the 30-year projection as more new public employees hired would be subject to the PEPRA formulas under current law. Also as of the aforementioned date, the percentage of active members who are subject to the PEPRA, at least in the California Public Employees' Retirement System (CalPERS), is approximately 64%. Now, 14 years into the implementation of the PEPRA reform, it is appropriate to revisit some targeted provisions to ensure that pensions align with the demands of the occupations across government employment, including our first responders.”¹⁶

¹⁶ Although the author cites in their background documents to the committee, approximate costs of \$5 or \$5.8 billion, those figures apparently stem from estimates from last year when the bill was heard in the Assembly. Current figures refer to \$4.8 billion.

4. Proponent Arguments:

According to the California Professional Firefighters:

“Firefighting is one of the most difficult and dangerous jobs imaginable. Those who answer the call to serve their communities put their mental and physical health on the line every time they respond to an incident, risking a known range of injuries and illnesses to serve the public. Firefighters carry a 14% higher risk of dying of cancer than the general population. This risk is so great that the International Agency for Research on Cancer (IARC) has classified occupational exposure as a firefighter as a Group 1 known human carcinogen.

These cancer risks come from innumerable sources, including circadian rhythm disruption, smoke inhalation, exposure to toxic chemicals and substances, and many more. Every day on the job represents a new set of exposures to these known risks.

Asking firefighters to work for a significantly longer period in a deadly profession for a reduced pension does not make economic sense. While changes to the pension systems that disadvantage workers are nearly always framed in financial terms such as increasing the health of the fund and reducing taxpayer costs, these costs are not fully eliminated but transferred.”

According to a coalition of police and sheriff employee associations, including the Fraternal Order of the Police and the Association of Orange County Deputy Sheriffs:

“Departments throughout the state are struggling to fill academy classes and keep experienced officers on the job. A major driver of this problem is PEPRA. Enacted in 2012, PEPRA significantly reduced retirement benefits, raised the retirement age, and restricted collective bargaining over retirement issues. While these changes were intended to generate cost savings, and they have, with CalPERS estimating over \$4 billion saved in the first 10 years, they have also had real, lasting consequences for our ability to staff public safety positions.”

5. Opponent Arguments:

According to a coalition of approximately nine local government associations, including the League of California Cities, the California State Association of Counties, and the California Special Districts Association:

“AB 1383 increases mandated costs without a way for public agencies to absorb them. The potential cost of this bill comes at a time of fiscal uncertainty. Much like the state, local agencies are facing budget challenges, as revenues are not keeping pace with the costs of delivering services or new mandates and are facing significant loss of resources and heightened responsibilities due to passage of H.R. 1. Some local agencies are currently considering significant budget cuts across all departments. AB 1383 would cause increased benefit costs and new cost pressures, leading to serious cost increases for local government.

According to CalPERS, given the current discount rate of 6.8%, AB 1383 is expected to increase the required contributions of employers and PEPRA members and increase the

present value of future benefits (PVB) by \$4.8 billion across State, Schools, and Local Agency plans. In addition to the change in PVB, CalPERS estimates that the change to the accrued liability to be \$233 million across State, Schools, and Local Agency plans. Additionally, AB 1383 further proposes that employers may increase their PEPRA formula to 3% at age 55 through individual agency collective bargaining. The benefit for this formula will be limited to 90 percent of final compensation. The increase in the normal cost due to this change could lead to increased annual normal cost contributions of \$353 million in the first year and increase the present value of future benefits by \$3.4 billion.

The CalPERS analysis does not include estimates for non-CalPERS pension systems, including for the twenty county-operated pension systems. Additionally, these costs are based on a snapshot of current compensation for public employees and could be heightened significantly if compensation increases rise and exceed the current compensation cap.

As of June 30, 2025, the Public Employees Retirement Fund (PERF) was approximately 79% funded. If CalPERS misses its investment return mark of 6.8%, local agencies in CalPERS and the State have to pay the difference. Again, this bill would compound costs for local governments and the State and do nothing to offset the costs.”

6. Related/ Prior Legislation:

AB 1054 (Gipson), currently under consideration by this committee, would establish a Deferred Retirement Option Program (DROP) to allow participating State Bargaining Unit (BU) 5 peace officers (CAHP) and State BU 8 firefighters (CalFire Local 2881) to elect a deferred retirement date, continue working 1-5 years, freeze their defined benefit (DB) pension benefit accrual, divert their employee contributions and potentially the employer contributions to their DROP account, earn the higher of a guaranteed 5 % interest or CalPERS’ investment return rate on their DROP savings, and upon reaching the deferred retirement date, receive their pension and a one-time lump-sum payment of their program account balance upon termination of employment and subsequent retirement from CalPERS.

SB 292 (Pan, 2015) specified that the requirement for employees subject to the California Public Employees’ Pension Reform Act of 2013 (PEPRA) to pay 50% of the actuarial normal cost of their pension benefits does not apply in specific cities and one county in which voter-approved tax levies were enacted prior to 1978 for the purpose of paying pension costs. The Governor vetoed the bill.

SB 13 (Beall), Chapter 528, Statutes of 2013, made technical corrections to the Public Employee’s Pension Reform Act of 2013 (PEPRA) in order to clarify the Legislature’s intent in enacting PEPRA and to assist affected employers and retirement systems in implementation of PEPRA.

AB 340 (Furutani), Chapter 296, Statutes of 2012, established the Public Employees’ Pension Reform Act of 2013 (PEPRA) which made major revisions to the public retirement systems’ laws and applied to all public employers and public pension plans on and after January 1, 2013.

SB 400 (Ortiz), Chapter 555, Statutes of 1999, among other things, provided enhanced retirement formulas for State Peace Officer/Firefighter members who retire on or after January 1, 2000. The enhanced formula provided a retirement benefit factor of 3% at and after age 55 and allowed members to retire, on a discounted basis, as early as age 50 and also provided enhanced pension formulas for state patrol members who retire on or after January 1, 2000. The enhanced formula provided a retirement benefit factor of 3% at age 50 and was also available as a contract option for local contracting agencies.

SUPPORT

Alameda City Firefighters Local 689
Alameda County Firefighters IAFF Local 55
American Federation of State, County and Municipal Employees
Anaheim Firefighters Association Local 2899
Apple Valley Professional Firefighters Association
Apple Valley Professional Firefighters Association Local 4742
Arcadia Firefighters Association Local 3440
Arcadia Police Officers' Association
Arcata Professional Firefighters Local 4981
Association for Los Angeles Deputy Sheriffs
Association of Orange County Deputy Sheriffs
Atascadero City Firefighters Local 3600
Barstow Professional Firefighters Association Local 2325
Berkeley Fire Fighters Association Local 1227
Brea Police Association
Brea Professional Firefighters Association
Burbank Fire Fighters Local 778
Burbank Police Officers' Association
Cal Fire Local 2881
California Association of Psychiatric Technicians
California Association of School Police Chiefs
California Coalition of School Safety Professionals
California Federation of Labor Unions
California Fraternal Order of Police
California Narcotic Officers' Association
California Professional Firefighters
California Reserve Peace Officers Association
California School Employees Association
California Statewide Law Enforcement Association
Calistoga Professional Firefighters Association Local 5606
Carlsbad Firefighters Association Local 3730
Cathedral City Firefighters Association Local 3654
Central Firefighters Local 3535
Chico Firefighters Local 2734
Chino Valley Professional Firefighters Local 3522
Chula Vista Firefighters Local 2180
City of Gilroy Council Member Zach Hilton
Claremont Police Officers Association
Compton Fire Fighters Local 2216
Contra Costa County Professional Firefighters Local 1230
Corona Firefighters Association Local 3757

Corona Police Officers Association
Coronado Fire Fighters Association Local 1475
Costa Mesa Firefighters Local 1465
County Employees Management Association
Culver City Firefighters Association Local 1927
Culver City Police Officers' Association
Davis Professional Firefighters Association Local 3494
Deputy Sheriffs' Association of Santa Clara County
El Cajon Firefighters Local 4603
El Dorado Hills Professional Firefighters Local 3604
El Segundo Firefighters Association Local 3682
Encinitas Firefighters Association Local 3787
Escondido Firefighters Local 3842
Fallbrook Firefighters Association Local 1622
Five Cities Professional Firefighters Local 4403
Fountain Valley Firefighters Local 4530
Fremont Fire Fighters Local 1689
Fullerton Firefighters Association Local 3421
Fullerton Police Officers' Association
Gilroy Fire Fighters Local 2805
Glendale Professional Firefighters Local 776
Hayward Fire Fighters Local 1909
Healdsburg Fire Fighters Local 2604
Heartland Firefighters of LA Mesa Local 4759
Heartland Firefighters of Lemon Grove Local 2728
Hemet City Firefighters Association Local 2342
Huntington Beach Firefighters Association Local 3354
Imperial Beach Firefighters Association Local 4692
International Union of Operating Engineers, Cal-Nevada Conference
Kern County Firefighters Local 1301 Union
Laguna Beach Firefighters Local 3684
Lakeside Firefighters Association Local 4488
Lieutenant Governor Eleni Kounalakis
Livermore-Pleasanton Firefighters Local 1974
Long Beach Firefighters Local 372
Long Beach Police Officers Association
Los Angeles County Firefighters Local 1014
Los Angeles County Professional Peace Officers Association
Los Angeles School Police Management Association
Los Angeles School Police Officers Association
Marin Professional Firefighters Local 1775
Merced City Firefighters Local 1479
Milpitas Firefighters Local 1699
Modesto City Firefighters Local 1289
Monrovia Firefighters Local 2415
Montebello Firefighters Association Local 3821
Monterey County Probation Association
Monterey Firefighters Association Local 3707
Murrieta Fire Fighters Local 3540
Murrieta Police Officers' Association

Napa City Fire Fighters Local 3124
Nasa JPL Professional Firefighters Local I-94
National City Firefighters Association Local 2744
Nevada County Professional Firefighters Local 3800
Newport Beach Firefighters Association Local 3734
Newport Beach Police Association
Oakland Firefighters Local 55
Oceanside Firefighters Association Local 3736
Office of Lieutenant Governor Eleni Kounalakis
Ontario Professional Firefighters Local 1430
Orange City Firefighters Local 2384
Orange County Professional Firefighters Association, Local 3631
Oxnard Firefighters Local 1684
Palm Springs Firefighters Association Local 3601
Palo Alto Professional Firefighters Local 1319
Palos Verdes Police Officers Association
Pasadena Firefighters Local 809
Paso Robles Professional Firefighters Local 4148
Patterson Firefighters Association Local 4577
Peace Officers Research Association of California
Petaluma Firefighters Local 1415
Placer County Deputy Sheriffs' Association
Pomona Police Officers' Association
Poway Firefighters Association Local 3922
Professional Firefighters of Sonoma County Local 1401
Rancho Cucamonga Firefighters Association Local 2274
Rancho Santa Fe Professional Firefighters Association Local 4349
Redlands Professional Firefighters Association Local 1354
Redondo Beach Fire Association Local 2787
Registered Nurses Professional Association
Rialto Professional Firefighters Local 3688
Richmond International Association of Firefighters Local 188
Riverside City Firefighters Association Local 1067
Riverside Police Officers Association
Riverside Sheriffs' Association
Sacramento Area Firefighters Local 522
Sacramento County Deputy Sheriffs Association
Sacramento County Probation Association
Salinas Fire Fighters Local 1270
San Bernardino County Sheriff's Employees' Benefit Association
San Diego City Fire Fighters Local 145
San Diego County Probation Officers Association
San Francisco Fire Fighters Local 798
San Gabriel City Firemen's Association Local 2197
San Joaquin County Probation Officers Association
San Jose Fire Fighters Local 230
San Luis Obispo City Firefighters Local 3523
San Marcos Firefighters Association Local 4184
San Mateo County Firefighters Local 2400
San Mateo County Probation Detention Association

San Ramon Valley Firefighters Association Local 3546
Santa Ana Police Officers Association
Santa Barbara City Firefighters Association Local 525
Santa Barbara County Firefighters Local 2046
Santa Clara City Firefighters Local 1171
Santa Clara County Correctional Peace Officers Association
Santa Clara County Firefighters Local 1165
Santa Clara County Probation Peace Officer's Union Local 1587
Santa Cruz City Firefighters Local 1716
Santa Maria City Firefighters Local 2020
Santa Monica Fire Fighters Local 1109
Service Employees International Union, California
Sheriff's Employee Benefits Association
Sierra Madre Professional Firefighters Local 5216
Solana Beach Firefighters Local 3779
State Coalition of Probation Organizations
Stockton Firefighters Local 456
Templeton Firefighters Local 5422
Torrance Fire Fighters Association Local 1138
Tracy City Fire Fighters Local 3355
Union of American Physicians and Dentists
Valley Physicians Group
Vandenberg Professional Firefighters Local F-116
Ventura City Firefighters Association Local 3431
Ventura County Professional Firefighters Association Local 1364
Vista Firefighters Association Local 4107

OPPOSITION

Association of California School Administrators
California Policy Center
California Special Districts Association
California State Association of Counties
City of Adelanto
City of Arcadia
City of Belvedere
City of Beverly Hills
City of Brea
City of Brentwood
City of Burbank
City of Calimesa
City of Carpinteria
City of Coalinga
City of Colton
City of Cotati
City of Fairfield
City of Fillmore
City of Firebaugh
City of Fortuna
City of Fremont

City of Garden Grove
City of Glendora
City of Grand Terrace
City of Hemet
City of Hermosa Beach
City of Highland
City of Inglewood City Hall
City of Kingsburg
City of La Palma
City of La Quinta, Riverside County, California
City of La Verne
City of Lancaster
City of Larkspur
City of Los Alamitos
City of Lynwood
City of Manteca
City of Merced
City of Mission Viejo
City of Morro Bay
City of Murrieta
City of Napa
City Newport Beach
City of Norwalk
City of Oceanside
City of Pacific Grove
City of Paramount
City of Perris
City of Port Hueneme
City of Poway
City of Redlands
City of Reedley
City of Salinas
City of San Luis Obispo
City of San Rafael
City of Santa Paula
City of Santa Rosa
City of Scotts Valley
City of Soledad
City of Solvang
City of Sonoma
City of Stanton
City of Tehachapi
City of Torrance
City of Tulare
City of Vernon
City of Vista
City of Weed
City of Yorba Linda
Contra Costa County
County of Humboldt

County of Kern
Howard Jarvis Taxpayers Association
League of California Cities
Rural County Representatives of California
Rural County Representatives of California (RCRC)
Town of Apple Valley
Town of Fairfax
Town of Moraga
Town of Truckee
Urban Counties of California
Valley Sanitary District

Other

California Actuarial Advisory Panel
Reason Foundation

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