
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 1439 (Garcia) - Public retirement systems: development projects: labor standards

Version: June 11, 2026

Urgency: No

Hearing Date: June 22, 2026

Policy Vote: L., P.E. & R. 4 - 1

Mandate: No

Consultant: Robert Ingenito

Bill Summary: AB 1439 would request (1) the University of California, Berkeley (UCB), Labor Center to study California Public Employees' Retirement System (CalPERS)'s and California State Teachers' Retirement System (CalSTRS)'s portfolio-funded real estate and infrastructure development projects to analyze the extent of their labor standards protections, and (2) CalPERS and CalSTRS to provide the relevant data to UCB Labor Center, as specified.

Fiscal Impact:

- The UCB Labor Center would incur one-time costs in the low hundreds of thousands of dollars over an 18-month period to conduct the required study (General Fund).
- To provide the data for the study, CalPERS would incur one-time administrative costs of \$250,000 (Public Employment Retirement Fund); one-time costs to CalSTRS would total \$200,000 to \$500,000 (Teacher's Retirement Fund). Administrative costs would include gathering, reviewing and categorizing the requisite data.

Background: California's two largest public retirement systems, CalPERS and CalSTRS, provide defined-benefit pension benefits to eligible public employees and educators while seeking to minimize costs borne by participating public employers. The governing boards of these systems have exclusive fiduciary responsibility for managing retirement assets and administering benefits. Pension assets are held in trust solely for the benefit of members and beneficiaries, and board members are required to act exclusively in their interests, giving that duty precedence over all other considerations. In carrying out these responsibilities, the boards must prudently invest and diversify system assets to minimize risk and maximize long-term returns.

The Department of Industrial Relations, through the Division of Labor Standards Enforcement and the Labor Commissioner, is responsible for enforcing California's labor laws, including requirements applicable to public works projects. Public works generally include construction, alteration, demolition, installation, and repair activities financed in whole or in part with public funds. Workers employed on public works projects above a specified threshold must be paid no less than the applicable prevailing wage. Contractors and subcontractors performing public works are required to maintain detailed payroll records and regularly submit certified payroll information electronically to the state to facilitate compliance and enforcement.

California law also recognizes individuals who have completed approved apprenticeship programs, either within California or through federally approved programs in other states, as graduates of apprenticeship programs. In addition, when a public project is subject to a skilled and trained workforce requirement, public agencies must notify prospective bidders and contractors of that requirement in all relevant bid and contract documents.

Proposed Law: This bill, among other things, would do the following:

- Request UCB Labor Center to conduct an independent study to analyze the extent of labor standards protections in California real estate and infrastructure development projects funded through the real asset portfolios of PERS and STRS.
- Request that the study and a report of its findings be completed and provided to the Legislature and the Department of Finance by January 1, 2028, as specified.
- Request PERS and STRS to provide UCB Labor Center with data relevant to this study, including internal data and data obtainable from or provided to their respective consultants, agents, contractors, and subcontractors, within 60 days after receipt of a written request from the Labor Center.

Related Legislation:

- SB 252 (Gonzalez, 2023) would have restricted investments of the CalPERS and CalSTRS by requiring each to divest their investment holdings in fossil fuel companies, as defined and specified. Per the author's request, the Assembly Committee on Public Employment and Retirement did not hear the bill.
- SB 1328 (McGuire, 2022) would have required CalPERS, CalSTRS, other state agencies, and the Treasurer to divest from Russia and Belarus, associated companies, among other provisions. The Assembly Committee on Public Employment and Retirement held the bill.
- SB 457 (Portantino, 2021) would have required CalSTRS and CalPERS to offer to any school district or contracting city employer an investment portfolio option that does not contain investment vehicles issued or owned by the government of the Republic of Turkey. The author amended the bill to address a different subject.
- AB 1019 (Holden, 2021) would have prohibited certain investments by CalPERS and CalSTRS in Turkey regarding the Armenian Genocide unless Turkey adopts a policy to acknowledge the Armenian Genocide and embark on a path of affording justice to its victims. The Assembly Committee on Public Employment and Retirement held the bill without a hearing.
- AB 2780 (Holden, 2020) would have required CalPERS and CalSTRS to divest investments in and prohibited new investments in Turkey and Azerbaijan. The Assembly Committee on Public Employment and Retirement held the bill without a hearing.

- AB 1320 (Nazarian, Chapter 459, Statutes of 2019) requires CalPERS and CalSTRS to divest from Turkey upon the occurrence of certain specified concerted actions by the United States federal government, among other provisions.
- AB 33 (R. Bonta, 2019) would have required CalPERS and CalSTRS to divest from private prison companies, would have prohibited them from making new or renewing existing investments in such companies, and would have required them to constructively engage with private prison companies to establish whether the companies are transitioning their business model to another industry, among other provisions. The Assembly Committee on Public Employment and Retirement held the bill.

Staff Comments: Currently, CalPERS has a Responsible Contractor Policy (RCP) as a means of ensuring contractors working on CalPERS-funded projects steward public funds well and treat their workforce with dignity. Similarly, CalSTRS's RCP, among other things, defines a "responsible contractor" as a contractor or subcontractor who pays workers a "fair wage" and "fair benefit" as evidenced by payroll and employee records. In both cases, the determination of "fair" is relative to the applicable local market factors and recognizes that a standard of "prevailing wage" may not be realistic in all markets.

CalPERS indicates that it has already issued a request for proposals to conduct a similar study.

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