
THIRD READING

Bill No: AB 1439
Author: Garcia (D), et al.
Amended: 8/13/26 in Senate
Vote: 21

SENATE LABOR, PUB. EMP. & RET. COMMITTEE: 4-1, 6/10/26
AYES: Smallwood-Cuevas, Cortese, Durazo, Laird
NOES: Strickland

SENATE APPROPRIATIONS COMMITTEE: 5-2, 8/13/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

ASSEMBLY FLOOR: 50-9, 1/29/26 - See last page for vote

SUBJECT: Public retirement systems: development projects: labor standards

SOURCE: State Building and Construction Trades Council of California

DIGEST: This bill requests 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 requests CalPERS and CalSTRS to provide UCB Labor Center relevant data, as specified.

ANALYSIS:

Existing law:

- 1) Establishes the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to provide defined benefit pensions to eligible public and school employees respectively,

while minimizing the cost of those benefits to their public employers.
(Government Code § 20000 et seq. and Education Code § 22000 et seq.)

- 2) Grants the retirement board of a public pension or retirement system sole and exclusive fiduciary responsibility over the assets of the public pension or retirement system and the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. (California Constitution (CA CONST) art. XVI § 17 (a)).
- 3) Requires the members of a public retirement board to discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty. (CA CONST art. XVI § 17 (b)).
- 4) Requires the members of a public retirement board to diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. (CA CONST art. XVI § 17 (d)).
- 5) Establishes the Division of Labor Standards Enforcement (DLSE), under the direction of the Labor Commissioner (LC), within the Department of Industrial Relations (DIR), and authorizes the LC to investigate employee complaints and enforce labor laws, as specified. (Labor Code § 79 et seq.)
- 6) Defines "public works," for the purposes of regulating public works contracts, as, among other things, construction, alteration, demolition, installation, or repair work done under contract and paid for, in whole or in part, out of public funds. (Labor Code § 1720(a).)
- 7) Requires that not less than the general prevailing rate of per diem wages be paid to all workers employed on a "public works" project costing over \$1,000 dollars

and imposes misdemeanor penalties for violation of this requirement. (Labor Code § 1771.)

- 8) Requires contractors and subcontractors, while performing public works, to furnish specified payroll records at least once a month directly to the LC, in an electronic format, in the manner prescribed by the LC, on the department's internet website. (Labor Code § 1771.4(a)(3).)
- 9) Requires each contractor and subcontractor on a public works project to keep accurate payroll records, showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the contractor or subcontractor in connection with the public work. (Labor Code § 1776(a).)
- 10) Defines "graduate of an apprenticeship program" to mean either of the following:
 - a) An individual that has been issued a certificate of completion under the authority of the California Apprenticeship Council for completing an apprenticeship program approved by the chief.
 - b) An individual that has completed an apprenticeship program located outside California and approved for federal purposes pursuant to the apprenticeship regulations adopted by the federal Secretary of Labor. (Public Contract Code § 2601(c).)
- 11) Provides that when the use of a skilled and trained workforce to complete a contract or project is required, the public entity shall include in all bid documents and construction contracts a notice that the project is subject to the skilled and trained workforce requirement. (Public Contract Code § 2600©.)

This bill:

- 1) Finds and declares that development projects in California without strong labor standards protections for workers is not in the public interest or the interests of the participants in, and beneficiaries of, public pension and retirement systems.
- 2) Requests the UC Berkeley Labor Center to conduct an independent study to analyze the extent of labor standards protections in CalPERS' and CalSTRS'

portfolio-funded California real estate and infrastructure development projects requests that the study examine available evidence on the impact labor standards protections, as specified; that the study be completed by January 1, 2028; and that pension systems provide the Labor Center with relevant data, as specified.

- 3) Makes the following definitions:
 - a) “Board” means the CalPERS and CalSTRS boards.
 - b) “Labor standards protections” means that construction work to carry out and maintain the development project shall be subject to specified Labor Code requirements to provide prevailing wage; require the use of unionized workers or require coverage under a project labor agreement; require the project developer to commit to union organizing campaigns for workers who will be employed upon the project’s completion; and require the developer to have entered into a community benefits agreement that is informed by meaningful engagement and outreach to residents of the surrounding communities and that includes funding for, or direct implementation of, specific community improvements or amenities including job access within the community in which the project is located.
- 4) Declares that nothing in this bill shall be construed to require CalPERS or CalSTRS to take action described in this bill unless the respective boards determine in good faith that the action is consistent with the board’s constitutional fiduciary responsibilities.

Background

This bill stems from union efforts to prohibit public employee pension funds from investing in companies that do not adhere to specified labor standards.¹ The unions’ efforts aim to draft public employee pension systems into their struggle to obtain specified labor policies in the private sector although CalPERS and CalSTRS already have responsible contractor policies regarding worker protections for companies held in their portfolios.

An earlier version of this bill would have prohibited public pension boards from making “additional or new investments of public employee pension or retirement funds in development projects in California or provide financing for

¹ *It’s Our Money: Union Members Fight for Good Public Pension Investments*, Labor Notes, April 29, 2026, <https://labornotes.org/blogs/2026/04/its-our-money-union-members-fight-good-public-pension-investments>

those projects with public employee pension or retirement funds unless those projects include labor standards protections.”² The bill’s opponents have labeled the earlier version a de facto mandate on the pension systems to divest from companies that don’t meet those labor standards.

In analyzing that prior version of the bill, the Assembly Appropriations Committee noted that its fiscal costs to CalPERS and CalSTRS could result in tens of billions of dollars.³

This bill’s current version requests that the UC Berkely Labor center study the issue, as specified, and requests the pension systems provide relevant data to the Labor Center for the study. Recent author amendments remove mandates, including a mandate that the pension systems fund the studies (such a mandate would conflict with constitutional provisions that grant the pension systems’ plenary and exclusive authority to invest pension funds and administer the systems).

CalPERS indicates that it has already issued a request for proposals to conduct a similar study. This bill’s opponents argue that AB 1439 is thus unnecessary and duplicative and continue to argue this bill is an improper intrusion into CalPERS’ and CalSTRS’ plenary authority to manage their respective pension systems.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- 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.

² AB 1439 (Garcia), as amended March 24, 2025, adding, inter alia, Government Code Section 7513.77 (c).

³ See the Assembly Committee on Appropriations’ Bill Analysis of AB 1439 (Garcia), as amended March 24, 2025, for the committee’s January 22, 2026, hearing.

SUPPORT: (Verified 8/10/26)

State Building and Construction Trades Council of California (sponsor)
California Alliance for Retired Americans
California Federation of Labor Unions
California State Association of Electrical Workers
California State Council of Laborers
California State Pipe Trades Council
California Teamsters Public Affairs Council
California-Nevada Conference of Operating Engineers
CFT – a Union of Educators & Classified Professionals
District Council 16, International Union of Painters and Allied Trades
District Council 36, International Union of Painters and Allied Trades
District Council of Iron Workers of the State of California and Vicinity
Teamsters California
Western States Council Sheet Metal, Air, Rail and Transportation

OPPOSITION: (Verified 8/10/26)

Associated General Contractors, California Chapters
Association of California School Administrators
BOMA California
California Apartment Association
California Association of School Business Officials
California Building Industry Association
California Business Properties Association
California Chamber of Commerce
California Council for Affordable Housing
California Housing Consortium
California School Employees Association
California Special Districts Association
California State Association of Counties
Commercial Real Estate Development Association, NAIOP of California
League of California Cities
Rural County Representatives of California
South Pasadena Residents for Responsible Growth
State Association of County Retirement Systems
Urban Counties of California
Western Electrical Contractors Association

ARGUMENTS IN SUPPORT: According to the State Building and Construction Trades Council of California:

“The RCP is CalPERS’ attempt to ensure that contractors doing work on CalPERS-funded projects not only are good stewards of public employee members’ investments but also treat workers on CalPERS projects with dignity.

However, the recently approved update to CalPERS’ RCP has no real requirement that guarantees that prevailing wages are paid, that construction workers are properly trained, or that there is labor peace after construction. This allows CalPERS to actively invest in projects that allow worker exploitation and undermine the standards we have fought so hard to establish.

While CalPERS’ Board members and staff have a fiduciary duty to properly invest members’ contributions, there are several practical steps CalPERS can take to mitigate the risks associated with contractors’ noncompliance with the RCP and state labor law at investment properties. Issues such as wage theft, health and safety violations, and poor-quality construction are not readily apparent during a construction project and largely come to light only after construction is complete, as workers fear losing their jobs if they report problems.

These low-road employer violations not only negatively impact a construction workers’ livelihood and safety on the job but they create investment risks for CalPERS as an asset owner. Wage theft, health and safety issues, project delays, and construction defects may lead to fines and penalties by public agencies and litigation by workers and end users. These negative outcomes are financial risks that can erode a construction project’s investment returns and are difficult to mitigate once the problem has developed. CalPERS ultimately bears the risk of failure to deliver such projects on time, within budget, and in accordance with construction standards. When construction project managers do not consider the qualifications of potential contractors, they are choosing to favor low-quality, irresponsible contractors who submit the lowest-cost construction bids.

The bill was amended to focus specifically on investments by CalPERS and CalSTRS and to simply require a study of the impacts of such an investment prohibition. This bill will provide the state with an evaluation of how requiring labor-standard protections on pension-funded development projects could affect public retirement system investments and fiduciary obligations.”

ARGUMENTS IN OPPOSITION: According to a coalition of public employer associations, including the California State Association of Counties and the League of California Cities:

“Fundamentally, we do not believe it is appropriate to undermine the plenary authority of our public pension systems, particularly at the expense of the financial

security of our workforce or public agencies. As noted in the bill analysis in the Assembly Public Employment and Retirement Committee, the legislature has limited constitutional authority to impose conditions on how public pension funds make investment decisions. AB 1439 represents a step down a slippery slope of political interference in the retirement assets earned by California's public employees.

Aside from our concerns that the bill advances an unwise legislative proposal, we do not believe it is necessary. CalPERS is conducting a market study to evaluate the potential impacts of adopting the standards that had been proposed in AB 1439. It is not clear that there is an entity better positioned to conduct a study than the pension systems themselves: professional investment staff governed by a board accountable to public employees and employers. Requesting a duplicative analysis to be conducted by an outside entity, like the UC Labor Centers, undermines CalPERS' and CalSTRS' independence and authority to assess investment risks on behalf of their members."

ASSEMBLY FLOOR: 50-9, 1/29/26

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Chen, Connolly, Davies, Elhawary, Fong, Gabriel, Garcia, Jeff Gonzalez, Mark González, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lee, Lowenthal, Ortega, Pacheco, Papan, Patel, Pellerin, Rogers, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Wallis, Ward, Wilson, Zbur, Rivas

NOES: Ávila Farías, Dixon, Ellis, Gallagher, Johnson, Macedo, Sanchez, Ta, Tangipa

NO VOTE RECORDED: Arambula, Bauer-Kahan, Castillo, DeMaio, Flora, Gipson, Hadwick, Lackey, McKinnor, Muratsuchi, Nguyen, Patterson, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Blanca Rubio, Valencia, Wicks

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