

## ASSEMBLY THIRD READING

AB 2780 (Committee on Public Employment and Retirement)

As Amended April 20, 2026

Majority vote

**SUMMARY**

Makes minor, technical, clarifying, or conforming changes to existing laws known as the Teachers' Retirement Law (TRL) – administered by the California State Teachers' Retirement System (CalSTRS), and the County Employees Retirement Law (CERL) – administered by the 20 independent county employee retirement associations (systems).

**Major Provisions**

## 1) Relating to the TRL:

- a) Redefines "retired member activities" to mean all service performed within the California public school system by member retired for service when the member is employed in specified positions, including as an employee or independent contractor.
- b) Makes changes to provisions relating to sick leave to provide that, when determining the number of days, including those for identified standards, one day must be equivalent to the number of hours of creditable service performed in a day in that position on a full-time basis, but no less than six hours.
- c) Makes conforming changes to fiduciary duties to be consistent with the Cal. Const.
- d) Makes changes by shortening the timeframe for notifying employees employed to perform creditable service subject to coverage by the Defined Benefit (DB) Program, and to part-time and substitute employees from within 30 days of the date of hire to 10 working days within the date of hire.
- e) Makes clarifying changes to provide that a member who applies for a disability retirement or retirement and applies for a service retirement pending determination of their disability, the member must not receive an additional 2 years of service credit granted in specified circumstances.
- f) Cleans up provisions relating to applications for service retirement by and member's signature for CalSTRS' DB Supplement (DBS) Program by prescribing the timeframe in which the application must be received by the system.
- g) Makes a clarifying change relating to retirement for service following reinstatement to provide that a benefit calculated must be modified by an option, if elected.
- h) Makes a clarifying change relating to service retirement benefits for members who perform creditable service for two or more years following reinstatement to provide that a benefit calculated must be modified by an option, if elected.
- i) Makes a clarifying change relating to retirement following a prior disability retirement that was terminated to provide that benefits calculated must be modified by an option, if elected.

- j) Cleans up provisions relating to additional earnings credit (AEC) by prohibiting those credits from being added to the balance of credits transferred.
  - k) Makes changes to CalSTRS' DBS Program relating to changing an election from an annuity to a lump sum by establishing specified conditions if a member elects to change their retirement annuity from the DBS Program to a lump-sum payment, including termination of payment of the annuity based on the balance of credits and makes the election irrevocable.
  - l) Makes conforming changes to federal law to specify limits, commencing July 1, 2027, for a CalSTRS member subject to the Public Employees' Pension Reform Act (PEPRA) of 2013, for participants whose service is and is not included in social security; makes the provisions subject to annual changes in the consumer price index and other conditions; redefines various terms, and makes other related changes.
  - m) Makes clarifying change to the definition of "creditable service" to include trustee service, as provided.
  - n) Defines "retired participant activities," "salary," and "service," as respectively provided.
  - o) Makes other technical and clarifying changes; deletes various provisions that require CalSTRS to determine when those provisions can be implemented, and establishes when various provisions become operative.
- 2) Relating to the CERL:
- a) Clarifies member voting in board trustee elections to conform to similar laws respectively applicable to California Public Employees' Retirement System (CalPERS) and CalSTRS board elections, and redefines "active member" to specify that it refers to a member in county service, as otherwise defined, and makes related changes to other definitions.
  - b) Establishes a 10-year statute of limitations for recovery of overpayments relating to fraud or overpaid death benefits; thus conforming to existing laws applicable to the CERL system for the County of Los Angeles, and CalPERS, respectively.
  - c) Makes technical changes by substituting the words "earnable compensation" to, instead, read "compensation earnable."
  - d) Clarifies a practice applicable to a majority of CERL systems that only the last system in which a public employee is a member, pays a burial allowance for reciprocal members for purposes of consistency with the Public Employees' Retirement Law (PERL) administered by CalPERS.
  - e) Clarifies the definition of "concurrent retirement" to be similar to the definition under the TRL.

## COMMENTS

*Brief Background Regarding CalSTRS*

CalSTRS administers a hybrid retirement system consisting of traditional DB benefits, cash balance, and a voluntary defined contribution plan, as discussed below.

CalSTRS administers a DB Program that provides a lifetime monthly benefit upon attaining a combination of the requisite minimum years of age and service for retirement, commonly referred to as "vesting" or "vested." Consisting of a combination of contributions from the State, employer, and employee, this benefit has varying formulas depending on when the employee began performing CalSTRS creditable service activities. The varying formulas, consisting of two, are a result of legislative enactment of the PEPRA. Regarding DB contribution rates, the employer contributes an amount equal to approximately 19.10% of the employee's creditable compensation, and the State contributes approximately 8.328% of CalSTRS members' annual creditable compensation, as well as approximately 2.5% of CalSTRS members' earnings to pay for purchasing power protection.<sup>1</sup> Depending on what formula applies to the employee, employees contribute approximately 10.25% (for the 2% at 60 formula), or 10.205% (for the 2% at 62 formula) of their creditable earnings. Mandatory DB Program membership depends on the employee's status, the type of employer and, in some cases, whether the employer offers the CB Benefit Program. However, temporary and adjunct employees are excluded from *mandatory* membership.

CalSTRS' CB Program is a DB Supplement (DBS) where the employer's and employee's contributions on eligible earnings are credited to the employee's DBS account. This account accrues guaranteed interest and, when the CalSTRS Board declares, additional earnings credits. When the employee retires, they are eligible to receive a lump-sum payment or annuity based on the total account balance. This DBS Program is a cash balance plan for DB Program members for earnings in excess of one year in a school year and other specific compensation. CalSTRS' Cash Balance CB Program also is a retirement plan that employers can offer part-time educators, or another eligible retirement plan, as an alternative to the DB Program or social security.

CalSTRS' Defined Contribution (DC) Plan, also called "Pension2," offers 403(b), 457(b), Roth 403(b), and Roth 457(b) investment plans for additional income in retirement. Open to all school employees, the amount an employee has at retirement depends on their contributions, investment gains and losses, and expenses. Typically, employees contribute 4% of their salary, and the employer must contribute an amount equal to at least 4% of the employee's salary.

#### *Brief Background Regarding the CERL*

In addition to what was previously stated under "Existing Law," the CERL establishes "classes" of each county operating a retirement system, which mirrors the population of each county as ascertained and determined pursuant to Section 28020, Gov. Code. For example, under the CERL, Los Angeles County is of the first class; Orange County is of the second class; San Diego County is the third class; Alameda County is the fourth class; and so forth. Under the CERL, none of these counties are within the same class. Currently, there are 20 such systems in counties that have adopted the CERL.

Where the PERL and TRL for the statewide public employee retirement systems establish uniform standards that commonly apply to CalPERS and CalSTRS, respectively, as well as their

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<sup>1</sup> Purchasing power protection is a built-in protection against inflation, also referred to as inflation protection, to help ensure quality of living during retirement.

respective members, participating agencies and school districts governed by those laws, the CERL provides uniform standards in the administration of retirement benefits by all CERL systems, but also recognizes and allows for a modicum of variation in the administration of retirement benefits among them since each county and CERL system is separate and unique.

Each CERL system operates pursuant to the CERL and on occasion, an issue might arise related to the administration of retirement benefits. However, the issue may only be applicable to an individual system due to its interpretation of a provision in the CERL, variation of administration when compared to other systems, or interpretation of a CERL provision that is specific to that jurisdiction. For example, Chapter 97, Statutes of 2018 (Assembly Bill 2076, Rodriguez) provides authority to the Los Angeles County Employees Retirement Association (LACERA) – a CERL system – to reconsider its decisions regarding the effective date of a disability retirement during a specific period. That measure only applied to LACERA because the issue sought to be addressed only existed in that system.

Although the practical and operational mechanics of the CERL permit a modicum of variation, it has resulted in concerning substantial challenges that, in one instance, required subsequent actions by many, but not all, CERL systems to align their administration of retirement to the requirements of the PEPRRA following a decision by the Cal. Supreme Court.<sup>2</sup>

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

#### **According to the Author**

"This bill makes various minor, technical, clarifying, or conforming changes to the TRL – administered by CalSTRS, and the CERL – administered by the 20 independent CERL systems, to ensure the continued efficient and effective administration of retirement for public employees, retirees, and their beneficiaries."

#### **Arguments in Support**

CalSTRS states that this bill, "is necessary to permit continued effective administration of CalSTRS. Any administrative costs associated with these provisions are minor and absorbable, and there are no program costs resulting from them."

Among other things, on behalf of the 20 independent CERL systems, the State Association of County Retirement Systems states, "...these provisions promote consistency, reduce administrative ambiguity, and strengthen program integrity across CERL systems."

#### **Arguments in Opposition**

None in file.

### **FISCAL COMMENTS**

According to the Assembly Committee on Appropriations, this bill would result in no new state costs.

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<sup>2</sup> *Alameda County Deputy Sheriff's Assn. v. Alameda County Employees' Retirement Assn.* (2020) 9 Cal.5th 1032. Three separate, but similar legal cases were consolidated into a single case (*Alameda*) by the C. Sup. Ct. They were *Alameda, (id.)*; *Contra Costa County Deputy Sheriffs Assn. v. Contra Costa County Employees' Ret. Assn.*, and *American Fed. of State, County and Municipal Employees v. Merced County Employees' Retirement Assn.*

## VOTES

### **ASM PUBLIC EMPLOYMENT AND RETIREMENT: 7-0-0**

**YES:** McKinnor, Lackey, Alanis, Boerner, Garcia, Nguyen, Michelle Rodriguez

### **ASM APPROPRIATIONS: 14-0-1**

**YES:** Wicks, Hoover, Aguiar-Curry, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

**ABS, ABST OR NV:** Arambula

## UPDATED

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