

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS  
Buffy Wicks, Chair  
SB 939 (Laird) – As Amended March 16, 2026

Policy Committee: Public Employment and Retirement                      Vote: 6 - 0

Urgency: No                      State Mandated Local Program: No                      Reimbursable: No

**SUMMARY:**

This bill requires a California Public Employees' Retirement System (CalPERS) member, for a purchase of additional service credit through a permanent actuarial equivalent reduction (AER) to their pension allowance effective January 1, 2028, to pay the outstanding balance in full at the time of retirement or death.

**FISCAL EFFECT:**

No new state costs and likely administrative savings to CalPERS through reduced workload.

**COMMENTS:**

1) **Purpose.** According to the author:

The AER option has led to adverse effects, including increased costs to the state and incentivizing retirees to purchase service credit later in life, at which point it is far more expensive. [This bill] discontinues the AER option for new service credit purchases, tier conversions, and redeposits elected on or after January 1, 2028, instead requiring it to be paid as a lump sum within 90 days of retirement [and] represents a measure of good governance, easing cost and administrative load for the state and encouraging retirees to purchase eligible service credit earlier.

Further, according to CalPERS, writing in support of this bill:

This change aligns CalPERS service credit purchase payment options with all other public retirement systems and strengthens our financial policies by: (i) encouraging members to purchase service credit as early as possible to pay the lowest possible cost; (ii) ensuring service credit is paid in full and pre-funded at the time of retirement, reducing cost pressures on the system; and, (iii) reducing system complexity and cost.

2) **Background.** When a CalPERS member purchases or converts service credit through installment payments and then retires prior to paying off the service credit election, the member must pay the balance in full or have the monthly installment amount deducted from

his or her retirement allowance through an AER. However, an AER may result in a member receiving benefits for contributions they have not yet paid into the system, which introduces liability and risk into the pension system. Further, in the event of the member's death prior to their assumed life expectancy, the value of their increased benefit remains unpaid and is passed onto the beneficiary. This bill discontinues the AER option for any service credit purchases, tier conversions, or redeposits elected on or after January 1, 2028, and requires a member to pay the remaining balance in full within 90 days of the member's retirement date. If the outstanding balance remains unpaid then CalPERS must reduce the service credit proportionately.

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