Legislative Update

Eric Stern, Legislative Committee Chair
David Nelsen, Legislative Committee Vice-Chair
Cara Martinson and Laurie Johnson, SACRS Legislative Advocates

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NOV. 10-13, 2026 | OMNI RANCHO LAS PALMAS RESORT & SPA | RANCHO MIRAGE, CA

Legislative Committee Members

Eric Stern, Chair, Sacramento County Employees' Retirement System

David Nelsen, Vice Chair, Alameda County Employees' Retirement Association

Arthur Goulet, Ventura County Employees' Retirement System

Debby Cherney, San Bernardino County Employees' Retirement Association

Barry Lew, Los Angeles County Employees' Retirement Association

Skip Murphy, San Diego County Employees' Retirement Association

Manuel Serpa, Orange County Employees' Retirement

Chris Giboney, Sacramento County Employees' Retirement

Julie Wyne, Sonoma County Employees' Retirement Association

Karen Levy, Contra Costa County Employees' Retirement Association

Adele Tagaloa, Orange County Employees' Retirement System

Jason Green, Los Angeles County Employees' Retirement Association

Molly Calcagno, Segal

Cara Martinson, Capitol Advocacy

Laurie Johnson, LJ Consulting & Advocacy

Sulema Peterson, SACRS Executive Director

Election Update

- **New Governor and Administration:** California will have its first new governor in eight years, with Democrat Xavier Becerra taking the reins. The transition will bring new cabinet appointments and over 3,000 appointments to Boards and Commissions.
- **Expansion of Democratic Supermajorities:** Assembly Democrats
- are expected to win 64 to 67 seats (up from 60); Senate Democrats are expected to win 31 to 32 seats (up from 30).
- **A New Political Landscape in Sacramento:** Thirteen open Assembly seats and nine Senate races without incumbents will bring new lawmakers to Sacramento.

Ballot Initiatives

- **Bond Measures and Public Investments:** Major funding proposals for affordable housing (Prop. 1), medical research (Prop. 38), and homeownership assistance (Prop. 37).
- **Taxes and State Fiscal Policy:** Proposals addressing high-income taxes, a billionaire wealth tax, tax limitations, and California's Rainy Day Fund (Props. 2, 3, 40, 41, and 42).
- **Local Government Funding and Authority:** Proposed changes to voter approval thresholds for local taxes (Prop. 43) and environmental review requirements for housing and infrastructure projects (Prop. 45).
- **Election and Governance Reforms:** Changes to voter identification requirements (Prop. 39), recall elections (Prop. 5), and public financing of political campaigns (Prop. 4).

2027 Fiscal Outlook

- **Significant Growth in State Spending**: California's state spending has increased by $154 billion, or 78%, since 2018–19, creating challenges for long-term fiscal sustainability.
- **Persistent Structural Budget Deficit:** Despite an improved fiscal forecast, California faces a projected $8.4 billion structural deficit by 2029–30.
- **New Governor, Competing Budget Priorities:** The incoming administration will inherit significant fiscal pressures while balancing demands for education, health care, infrastructure, and other state programs.

2027 Political Priorities

- Health Care Costs and Access
- Cost of Living and Affordability
- Housing and Infrastructure Development
- Wildfire Liability and Insurance Reform
- Artificial Intelligence and Data Center Growth

SACRS-Sponsored Legislation

AB 2780 (Assembly Committee on Public Employment and Retirement)

Status: Signed by the Governor.

This bill includes the SACRS-sponsored legislative package in the Legislature's annual omnibus bill for technical changes to laws affecting CalSTRS, CalPERS, and the CERL systems. The changes in the CERL include the following:

- Clarifying that deferred members cannot run for or vote in active member Miscellaneous and Safety trustee elections.
- Establishing a 10-year statute of limitations for recovery of overpayments due to fraudulent reports of overpaid death benefits.
- Formalizing the practice of the majority of CERL systems that only the last system pays a lump-sum burial allowance for reciprocal members.
- Defining "concurrent retirement" to allow reciprocal members to retire on different dates with 30 days of each retirement date, as long as there is not overlapping service.

CERL Bills

AB 1383 (McKinnor) – PEPRA Retirement Benefits

- **Status: Vetoed by the Governor**
- Pensionable Compensation: Would have increased PEPRA compensation limits beginning January 1, 2027, to the Social Security compensation limit (120% for members not covered by Social Security).
- Public Safety Retirement Formulas: Would have lowered the retirement age from 57 to 55 for three existing safety formulas and authorized a new 3% at age 55 formula, applied prospectively.
- Cost Sharing: Earlier amendments removed provisions allowing collective bargaining over PEPRA's 50/50 normal cost-sharing requirement.
- Despite strong bipartisan legislative support, Governor Newsom vetoed the bill, citing concerns over PEPRA reforms and fiscal impacts.

AB 1601 – Sonoma Retirement: Cost of Living

- **Status: Signed by the Governor**
- This bill would permit the Sonoma County Board of Supervisors to authorize a cost-of-living adjustment to the retirement allowances, optional death allowances, or annual death allowances payable by the retirement system.

AB 1619 – Retirement Administration

- **Status: Signed by the Governor**
- This bill allows county Boards of Supervisors to authorize an increase in the Board of Retirement trustee per diem from $100 to $320. The bill would then require action by the Board of Retirement to establish the increased compensation rate.
- This bill was amended to apply the same increase in compensation to CalPERS and CalSTRs Board Members.

Non ‘37 Act Bills

AB 1054 (Gipson) – DROP Program

- **Status: Vetoed by Governor**
- AB 1054 (Gipson) would have created the Deferred Retirement Option Program (DROP) – a voluntary program – for California Public Employee's Retirement System (CalPERS) safety plan members of State Bargaining Units 5 (Highway Patrol) and 8 (CAL FIRE).
- The bill passed out of the Legislature and was vetoed by the Governor.
- In his veto message the Governor noted that the design and establishment of a DROP is more appropriately handled through the collective bargaining process.

AB 1439 – Labor Standards

- **Status: Signed by the Governor**
- The bill would have required labor protection standards on pension system investments in development projections.
- The bill was then amended to require CalPERS and CalSTRS to contract with the University of California Labor Centers to conduct an independent study to determine the impacts on public employee retirement funds of prohibiting the boards from investing in California development projects that do not provide labor standards protections for workers.

SB 1187 – Brown Act

- **Status: Signed by the Governor**
- This bill removes the language access requirements established in SB 707 (Chapters 327, 2025).
- Specifically, the bill repeals several public participation and language access requirements, including requirements related to translation of meeting materials, interpretation services, multilingual website content, public outreach to underrepresented communities, and opportunities for the public to provide additional agenda translations. It also reduces the administrative obligations placed on eligible legislative bodies related to multilingual access and public engagement.

SB 1207 – Conservation Corps Benefits

- **Status: Signed by the Governor**
- This bill authorizes CalPERS members to buy back not more than three years of service credit for their prior service in the California Conservation Corps (CCC). The bill also makes changes to CCC's statutes to clarify the scope of authorized projects and to specifically permit CCC to contract with corps established by California Native American tribes

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2027 Proposed Legislative Package

Why Modernize CERL?

- Updating the 1937 Act to Reflect Modern Governance
- Outdated Statutes: Many CERL provisions predate Proposition 162 (1992) and no longer reflect current constitutional authority or governance practices.
- Constitutional Alignment: Proposition 162 established the plenary authority of retirement boards over the administration and investment of retirement systems.
- Clarifying Governance: Existing statutory language can create ambiguity regarding the respective roles of Boards of Retirement and Boards of Supervisors.
- A Need for Modernization: The 20 independent CERL systems have historically lacked the legislative resources available to larger statewide systems like CalPERS and CalSTRS to regularly update governing statutes.

What Does the CERL Modernization Act Do?

- Clarifies Authority, Streamlines Operations, and Preserves Local Control
- Clarifies Board Authority: Removes outdated references to Board of Supervisors approval of actuarial assumptions, mortality tables, and contribution rates.
- Modernizes Administration: Eliminates outdated approval requirements for Board of Retirement regulations and trustee election procedures.
- Promotes Efficiency: Removes obsolete administrative expense limitations and allows Boards of Retirement to establish appropriate reserve policies.
- Supports Trustee Participation: Creates a mechanism for retirement systems to reimburse employers when elected trustees are released from work to fulfill Board responsibilities and training requirements.
- Preserves County Authority: Does not address retirement system staff compensation, or change the Board of Supervisors' statutory authority to adopt retirement benefit formulas and other benefit provisions.

Discussion