



TO: State Association of County Retirement Systems  
FROM: Cara Martinson, Public House Consulting  
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RE: **Legislative Update – June 2024**

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## **Capitol Update**

We are midway through the Legislative year and bills that made it through their House of Origin and the Appropriations Committee gauntlet are currently being scheduled for June policy hearings. The Legislature will have until July 3<sup>rd</sup> to hear all bills in their various policy committees before taking a summer recess, scheduled for July 4- August 4<sup>th</sup>. That leaves August for Appropriations Committees and Floor Hearings only.

The state's dire budget scenario will make passing bills that have any state revenue impact very challenging. Out of the 2600 bills that were introduced this year, only 60% of bills introduced in the Assembly made it to the Senate, while 75% of bills introduced in the Senate made it to the Assembly. At the same time, the Legislature and Administration are in the throes of budget negotiations, and the legislative leadership recently reached a budget agreement to address the remaining \$27 billion deficit (they already cut \$17 billion in early-April). The legislative proposal rejects some of the major spending cuts that Governor Newsom is seeking, including reductions to college scholarships for middle-income students, public health programs, subsidized child care slots and housing development, while pushing for more substantial reductions to prison funding.

However, the Legislature's proposal does align with the Governor's approach of minimizing the use of reserve accounts next year, as California faces a revenue shortfall that is expected to continue for several years to come. The proposal also suggests doubling the size of the state's rainy-day fund over time. The Legislature has until June 15<sup>th</sup> to send the Governor a balanced budget. As is common, we anticipate a budget bill passed by the required deadlines, but several associated bills implementing the details, or "trailer bills" following for consideration in August.

## **SACRS is tracking the following bills:**

- **AB 2770 (Committee on Public Employment and Retirement)** – This is the annual housekeeping bill that includes various technical amendments for CalPERS, CalSTRS, and '37 Act systems. SACRS is a



co-sponsor of the bill. The bill removes the “return receipt” requirements as part of current procedures in statute that systems must follow to locate members and beneficiaries. The bill also conforms the sunset date of January 1, 2025 to the Labor Code for the recently added disability presumption for post-traumatic stress disorder. Status: Approved by the Senate Labor Committee. This bill will now be sent to the Senate Floor for approval.

- **AB 2474 (Lackey)** – This is a SACRS-sponsored bill and was amended in Committee to allow LACERA-only to deposit retirement allowances into prepaid accounts until January 1, 2028, as a pilot program. The bill also provides clarity regarding the ability of a system to deposit pension payments in a member’s living trust bank account. The bill also clarifies potential consequences when a retiree exceeds the 960-hour post-retirement employment limit and provides systems with administrative flexibility on that matter. This bill was pulled from the June 5<sup>th</sup> Senate Labor Committee hearing for further discussion with the Chair regarding the LACERA provisions of the bill. Status: This bill will be set for a future Senate Labor Committee hearing.
- **AB 2284 (Grayson)** – The bill amends the definition of “compensation earnable” to define a work classification “grade” to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit, or other logical work-related grouping. The SACRS Legislative Committee has been engaged with the bill’s author and sponsors regarding compliance with PEPR and the *Alameda* decision. Status: This bill passed off the Assembly Floor and is pending Committee referral in the Senate.
- **AB 3025 (Valencia)** – This bill creates a framework for making benefit corrections and contribution refunds when disallowed compensation is inadvertently included in pension calculations. This bill includes a penalty to be paid by the employer to the member if compensation is later determined to be disallowed. The bill also includes language that is intended to protect a system’s *Alameda* correction process currently underway. The SACRS Legislative Committee is working with the bill’s author and sponsor on amendments to ensure ’37 Act systems can properly implement the bill, consistent with IRS regulations. Status: The bill passed off the Assembly Floor and has been double referred to the



Senate Labor, Public Employment and Retirement Committee and the Senate Judiciary Committee.

- **AB 2301 (Ngyuen)** – This bill, the Sacramento Area Sewer District Pension Protection Act of 2024, provides for the continuation of benefits and pension obligations for employees transferring from the County of Sacramento to the Sacramento Area Sewer District. Status: This bill passed out of the Senate Labor, Public Employment and Retirement Committee and will be transmitted to the Senate Floor for final approval.
- **SB 1189 (Limon)** – This bill authorizes the Ventura County Employees' Retirement Association to appoint a chief technology officer. Status: This bill has been referred to the Assembly Public Employment and Retirement Committee.

SACRS is also monitoring the following bills that do not impact the '37 Act systems but are of interest:

- **AB 817 (Pacheco)** -This bill was recently removed from the inactive file and was heard in the Senate Local Government Committee this week. The bill would have provided flexibility for local government agencies to conduct remote meetings under Open Meeting laws. Specifically, this bill would have allowed a subsidiary body of a local agency to teleconference their meetings without having to publicly notice or make all locations publicly available. Despite significant support from local governments, transparency concerns, as advocated by the ACLU, resulted in the bill being voted down 0-4. Status: Dead
- **SB 537 (Becker)** – This bill provides flexibility for local government agencies to conduct remote meetings under Open Meeting laws and exempts multijurisdictional, cross county local agencies from certain Brown Act provisions. Status: This bill was moved off of the Assembly Inactive file and is currently pending on the Assembly Floor.
- **SB 252 (Gonzalez)** – This bill prohibits CalPERS and CalSTRS from making new investments in a fossil fuel company and requires those systems to divest from fossil fuel companies by July 1, 2031, unless the board determines in good faith that the action is inconsistent with the board's fiduciary responsibilities. Status: Approved by Senate, pending in Assembly Committee.



- **SB 1240 (Alvarado-Gil)** – This bill provides for the continuation of pension benefits for employees of El Dorado County Fire Protection District and the Diamond Springs Fire Protection District under a new consolidated district. Status: Approved by Senate, pending in the Assembly.
- **SB 1379 (Dodd)** - This bill exempts specified California Public Employees' Retirement System (CalPERS) retirees hired by the Solano County Sheriff's Office from the Public Employees' Pension Reform Act (PEPRA)'s 960-hour post-retirement earnings limit. Status: Currently in Senate PERS Committee. Bill hearing canceled at the request of the author.