



TO: State Association of County Retirement Systems
FROM: Cara Martinson, Capitol Advocacy
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DATE: May 4, 2026

RE: Legislative Update – May

The Legislature is approaching the midpoint of the legislative session, having just passed key policy committee deadlines. As a result, bills are now advancing to the fiscal committees for consideration through the Appropriations process. Measures with a fiscal impact will face heightened scrutiny in both the Assembly and Senate, particularly as lawmakers weigh ongoing cost pressures alongside broader state budget considerations. Attention is increasingly shifting toward the state budget, with the Governor expected to release the May Revision of his January proposal in mid-May. This updated budget will reflect the latest revenue data, including April tax receipts, and will serve as the foundation for negotiations between the Administration and legislative leaders in the weeks ahead.

The Legislature is constitutionally required to pass a balanced budget by June 15, followed by the Governor's signature by July 1. In the interim, budget subcommittees and leadership will work to reconcile differences and identify potential adjustments. According to the Department of Finance, April tax receipts are currently trending above projections, offering some near-term optimism. However, the Governor has already signaled that the May Revision will likely include additional cuts to address persistent structural deficits in the out-years. As a result, the budget process is expected to remain challenging, with ongoing discussions around program reductions, funding delays, and other cost containment strategies.

The following is an update on bills that SACRS is actively following:

II. Legislative Update:

- **AB 1054 (Gipson)** - This bill would establish the Deferred Retirement Option Program (DROP) as a voluntary program within PERS for employees of State Bargaining Units 5 (Highway Patrol) and 8 (Firefighters). The bill states that the DROP becomes effective and applicable only after: 1) the applicable Bargaining Unit has entered into a MOU with the employer to implement the program; 2) The program has been certified via an actuarial analysis that it is cost neutral by the



CalPERS Board of Administration; and 2) CalPERS has adopted regulations to implement and administer the program.

- Status: This bill passed out the Assembly and is awaiting action in the Senate.
- Position: No Position/Watch

- **AB 1383 (McKinnor)** – The bill was heard in the Assembly PERS Committee and advanced out of the Appropriations Committee in January after taking several amendments. The bill includes the following provisions:
 - Adjust, on and after January 1, 2027, the pensionable compensation limit to the Social Security compensation limit. The prior version of the bill would have increased the pensionable compensation limit to the higher IRC 415(b) threshold.
 - Lower the retirement age on a prospective basis from age 57 to 55 for three existing safety DB retirement formulas, and
 - Authorize a public employer to create a fourth PEPRA safety DB retirement formula of three percent (3%) at age 55, to be applied prospectively.
 - Amendments this year removed a provision that would have permitted collective bargaining over the 50-50 normal cost sharing requirement.
 - Status: This bill advanced out of the Assembly and is now awaiting action in the Senate
 - Position: Neutral

- **AB 1439 (Garcia)** - The bill would have required labor protection standards on pension system investments in development projections. The bill was amended coming out of the Assembly to now 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. The bill no longer applies to the CERL systems and removes SACRS' opposition.
 - Status: The bill passed out of the Assembly and is awaiting action in the Senate.
 - Position: No position/watch

- **AB 1601 (Rogers)** – This bill would permit the county Board of Supervisors for Sonoma County to authorize a cost-of-living adjustment to the retirement allowances, optional death allowances, or annual death allowances payable by the retirement system.



- Status: This bill passed out of the Assembly and is awaiting action in the Senate.
 - Position: Neutral
- **AB 1619 (Valencia)** – 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.
 - Status: This bill passed out of the Assembly PERS Committee and is awaiting action in the Appropriations Committee.
 - Position: Neutral
- **AB 1660 (Schiavo)** – This bill was amended to now permit as opposed to require a court to award sanctions of no less than \$1,000 per violation if a financial institution, private agency, retirement fund administrator, insurance company, or other person fails to comply with existing requirements to provide information or surrender property of a decedent, minor, or conservatee to a public administrator or public guardian that is authorized to take possession and control of such property.
 - Status: This bill is awaiting action on the Assembly floor.
 - Position: No position/watch
- **AB 1762 (Gonzalez)** – This bill extends Public Employees’ Medical and Hospital Care Act (PEMHCA) authorization contract for health benefits to the City of Indio for employees hired from January 1, 2025, onward. It sets conditions such as collective bargaining agreements and requires at least five years of service for any benefit eligibility. The bill applies only to retirees after the approval of the memorandum of understanding and mandates that the City of Indio provide necessary notifications and information.
 - Status: This bill did not receive a policy committee hearing and is now dead.
 - Position: No position/watch
- **AB 1844 (Pacheco)** – This bill modifies the Judges’ Retirement System II, to give judges more flexibility in designating beneficiaries for their retirement benefits. This bill would authorize a judge who elects one of the optional retirement payment plans in lieu of receiving the maximum retirement allowance to designate a beneficiary other than their spouse to receive the payment or allowance after the judge’s death, subject to the community



- property rights of the judge's spouse. Additionally, the bill extends existing survivor benefits to non-spouse beneficiaries, removing the stipulation that the judge must have served a minimum of 20 years if they die in office.
- Status: This bill passed out the Assembly and is awaiting action in the Senate.
 - Position: No position/watch
- **AB 2336 (Macedo)** – This bill would, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, exclude from gross income the first \$25,000 of overtime pay received by a taxpayer during the taxable year. The bill would also exclude from gross income the first \$25,000 received by a taxpayer as proceeds from a defined benefit plan.
 - Status: This bill was held the Assembly PERS Committee.
 - Position: No position/watch
 - **AB 2519 (McKinnor)** – The bill expands who must be included in the State Teachers' Retirement System (STRS) membership. Under current law STRS administers a defined-benefit retirement program funded by employer and employee contributions and applies to positions that generally require a valid credential or license; charter school positions were excluded. This bill adds permitholders and comparable positions at charter schools that receive state apportionment and perform specified directing, coordinating, supervising, or administrative functions to the definition of "position subject to membership." It also removes a board-triggered timing requirement and makes the new definition operative on July 1, 2027.
 - Status: This bill is awaiting action in the Assembly Appropriations Committee.
 - Position: No position/watch
 - **AB 2780 (Assembly Committee on Public Employment and Retirement) – Public Retirement Systems: Omnibus Bill** - 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 proposed 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.
 - Status: This bill is awaiting action in the Assembly Appropriations Committee.
 - Position: Support

- **SB 1187 (Durazo)** – This bill would define “majority” in the Brown Act to mean the number of members of the legislative body equaling more than half of the total number of seats on the legislative body. The bill would specify that if a seat on the legislative body is vacant, that seat is to still be counted as a seat on the legislative body.
 - Status: This bill is on the Senate Floor consent calendar.
 - No position/watch

- **SB 1207 (Laird)** – 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
 - Status: This bill is awaiting action in the Senate Appropriations Committee.
 - No position/watch

- **SB 1319 (Durazo)** – This bill expands requirements for public disclosure of alternative investment information, including the name of each general partner or manager of each alternative investment vehicle and of each person with a direct or indirect interest in the general partner or manager. The bill also requires disclosure of the identity of the enterprise or activity in which the investment is made, the geographic locations where the enterprise or activity takes place, and the number and classifications of employees at each such location.
 - Status: This bill passed out of the Senate PERS Committee and is awaiting action in the Senate Appropriations Committee.
 - Position: Oppose

- **SB 1407 (Archuletta)** – Current law allows up to \$20,000 of federal military retirement pay and certain Survivor Benefit Plan annuity payments to be excluded from taxable income for qualifying taxpayers between 2025 and 2030. This bill would increase the income limits to 820,000 cap, extend the exclusion through 2037, and require reporting on the tax expenditure.
 - Status: This bill is awaiting action in the Senate Appropriations Committee.



- Position: No position/watch

Contact:

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