



September 3, 2026

The Honorable Gavin Newsom
Governor, State of California
1021 O Street, Suite 9000
Sacramento, CA 95814

RE: AB 1383 (McKinnor) Public Employees' Retirement Benefits.
REQUEST FOR VETO

Dear Governor Newsom,

The League of California Cities (Cal Cities), California State Association of Counties (CSAC), California Special Districts Association (CSDA), Rural County Representatives of California (RCRC), Association of California School Administrators (ACSA), California Transit Association, Los Angeles Unified School District (LAUSD), Urban Counties of California (UCC), California Association of Recreation and Park Districts (CARPD), Kern County Superintendent of Schools, County of Kern, and California Association of School Business Officials (CASBO) respectfully request your veto on AB 1383 by Assemblymember Tina McKinnor. This bill would make several significant changes to public employees' retirement benefits, leading to increased pension liability and budget instability for state and local agencies.

AB 1383 would upend some of the critical reforms put in place in 2013 by PEPPRA and undermine the core principles of that law. Specifically, this bill would:

- Increase the pensionable compensation cap for both Miscellaneous (non-

- safety) and safety PEPRAs employees;
- Reduce the retirement age for public safety members from 57 to 55 prospectively;
- Add a 4th safety tier that is 3% @ 55, prospective and subject to bargaining; and
- Allow local agencies to adjust their local formula in a prospective manner.

Through these changes, the bill would dramatically increase state and local pension obligations, undo critical pension reform, and force lower-compensated employees to subsidize more generous benefits for highly-compensated employees and management.

AB 1383 increases mandated costs without a way for public agencies to absorb them. The potential cost of this bill comes at a time of severe fiscal uncertainty. Much like the state, local agencies are facing budget challenges, as revenues are not keeping pace with the costs of delivering services or new mandates, and are facing significant loss of resources and heightened responsibilities due to passage of H.R. 1. School districts statewide are facing declining enrollment as student needs increase. Some local agencies are currently considering significant budget cuts across all departments, and several counties have recently announced layoffs needed to absorb fiscal shortfalls.

AB 1383 would create new cost pressures, leading to serious cost increases for local government that will further heighten these budget pressures. The bill being prospective does not resolve this concern because agencies have authorized salary increases since the passage of PEPRAs under the assumption that the cost of benefits would remain in line with current PEPRAs law. The prospective costs would likely cause an immediate financial strain on any agency, especially those with a large number of PEPRAs safety employees.

Contrary to its stated intent, by increasing pension costs, AB 1383 would result in less money for salary increases, which could therefore harm future recruitment efforts. Additionally, the changes in this bill could result in labor unrest by exacerbating the equity issues between safety and non-safety employees. Making matters worse, some lower-compensated PEPRAs employees will have to pay more out of their checks due to Normal Cost increases under this bill while not seeing a benefit from the increased pensionable compensation cap. As an example, for many schools staff members, including some for whom there is a documented critical shortage, this bill will provide no benefit and may actually cost these members money to fund higher pensions for a few highly-paid employees.

The August 27 amendments reduced the proposed increase to the pensionable compensation limit for employees not covered by Social Security. Under existing

law, pensionable compensation limits are already adjusted each year consistent with changes in CPI. However, the bill would continue to require retirement systems to use the 2027 Social Security wage base, rather than the existing 2013 wage base established under PEPPRA, when calculating pensionable compensation limits. As a result, the pensionable compensation cap would increase from approximately \$159,733 to \$184,500 for employees covered by Social Security and from approximately \$191,679 to \$221,400 for employees not covered by Social Security, thereby continuing to allow significantly more compensation to be included in pension calculations.

While these amendments modestly reduce the scope of the compensation cap benefit increase, previously estimated by CalPERS to account for \$4.2 billion in increased value of future benefits for participants in that system alone, they do not address our fundamental concerns with the bill. AB 1383 continues to increase pension benefits for highly compensated employees, rolls back key cost-containment reforms enacted under PEPPRA, and creates significant new long-term liabilities for state, local governments, and schools.

Other portions of the bill were unchanged by recent amendments – reducing the retirement age for safety members in existing tiers from 57 to 55 and adding a bargainable safety tier of 3% at 55. There is a very real risk that the 3% at 55 tier will create recruitment and retention issues at agencies that cannot afford it, and will create an unaffordable “race to the top” among safety plans. CalPERS estimated that if all safety plans moved to the 3% at 55 tier, that will increase the present value of future benefits by an additional \$3.4 billion for participants in that system alone.

More than a decade after its enactment, PEPPRA is increasingly demonstrating its importance to the long-term fiscal stability of California’s public retirement systems. As PEPPRA members make up a larger share of the public workforce, the reforms will play an increasingly significant role in controlling pension liabilities and helping ensure that public employers can sustainably fund promised retirement benefits. This stability is particularly important for local governments, which must balance their long-term pension obligations with the resources necessary to maintain essential public services. AB 1383 would begin reversing that progress before the full stabilizing effects of PEPPRA have been realized.

Even with the critical reforms from PEPPRA, pension costs for many California public agencies continue to be a challenge, threatening the delivery of basic public services, compromising general fund budgets and, indeed, posing a long-term fiscal challenge to the state itself.

Our organizations are committed to ensuring competitive benefits for public servants while maintaining the fiscal integrity of critical local services. However,

this bill would not protect the fiscal integrity of public agencies and would send public agencies' fiscal health and that of our pension funds in the wrong direction.

For these reasons, the organizations listed below are respectfully opposed to AB 1383 and **respectfully ask for your veto**. If you have any questions, please do not hesitate to contact our organizations' representatives directly.

Sincerely,



Johnnie Piña
Legislative Advocate
League of California Cities
jpina@calcities.org



Mishael Gill
Director of Policy and
Advocacy California Association
of School Business Officials
mgill@casbo.org



Eric Lawyer
Legislative Advocate
California State Association of
Counties elawyer@counties.org



Jean Hurst
Legislative Representative
Urban Counties of California
jkh@hbeadvocacy.com



Sarah Dukett
Policy Advocate
Rural County Representatives of
California
sdukett@rcrcnet.org



Dorothy Johnson
Legislative Advocate
Association of California School
Administrators
djohnson@acsa.org



Michael Pimentel
Executive Director
California Transit Association
michael@caltransit.org



Anna Ioakimedes, MPP
Legislative Advocate
Los Angeles Unified School District
anna.ioakimedes@lausd.net



Ethan Nagler
Legislative Representative
California Association of Recreation
and Park Districts
enagler@publicpolicygroup.com



Aaron Avery
Director of State Legislative Affairs
California Special Districts
Association
aarona@csla.net



Carlos Rojas
Chief Governmental Relations
Officer
Kern County Superintendent of
Schools Office
carojas@kern.org

CC: The Honorable Tina McKinnor, California State Assembly