



April 29, 2026

Assemblymember Tina McKinnor
1021 O Street, Suite 5520
Sacramento, CA 95814-4900

SUBJECT: ASSEMBLY BILL 1383 (MCKINNOR) – STRONG OPPOSITION

Dear Asm. McKinnor,

On behalf of the California Policy Center, I write in strong opposition to Assembly Bill 1383. I do so not only in my current capacity as Vice President of Education Policy and Government Affairs at the California Policy Center, but as someone who has devoted a significant part of his professional career to the cause of public pension reform in this state.

More than a decade ago, while serving as director of the then-Pension Reform Project at Reason Foundation, I co-authored a substantial [analysis](#) of PEPRA, the very law that AB 1383 now seeks to erode. My perspective on the needed reforms wasn't merely as a disconnected, third-party observer. I watched PEPRA (before it was PEPRA) take shape as a legislative staffer in the previous decade, observing every policy change and budget hearing that would ultimately necessitate massive reform. Further, I knew the political challenges that had to be overcome to achieve some modicum of bipartisan cooperation and brass-knuckled negotiation that had led to so much legislative failure in the past. Somehow, Gov. Jerry Brown turned in generations of political chits that would eventually lead to hard-won reforms. I knew explicitly then what it cost to get there. And I know what it will cost California if the Legislature chooses to dismantle those reforms.

What follows is an explanation of why AB 1383 is bad policy, its timing is particularly reckless, and why, if passed, it will inflict damage on local governments and taxpayers that will take a generation to undo.

I. How California Got to PEPRA: A History Worth Remembering

The origins of California's pension crisis are no mystery, though the political temptation to forget them is apparently strong. And this is far from a new problem. For over a hundred years, the courts have held up what has become known as the "California Rule" which essentially means that as soon as a government employee clocks in on their first day, their salaries and benefits can only ratchet up and not come down except in very rare circumstances. This legal precedent effectively means that if a government entity needs to reduce costs, it must lay off staff rather than make cuts across the board. Again, there are exceptions to the rule, but the history of this concept is so strong that most other states have adopted some version of the rule with their public employees and it's considered sacrosanct.

Then there were the good economic times, where pension funds were fully funded and government unions and investment returns hit their marks. Thoughts of a future fiscal drought were banned from public discourse and government employee pay packages got richer. Those myopic choices led to a series of unfortunate events.

One of the biggest misadventures in public finances came in 1999. Government unions saw an opening and exploited it with Senate Bill 400. The law significantly enhanced benefit formulas for state workers and granted pension contribution holidays — reductions and eliminations in employer and employee contributions — under the assumption that the unusually strong investment returns of the late 1990s would sustain those richer promises indefinitely. At the time, CalPERS was fully funded. Lawmakers treated the surplus as a permanent condition and handed out benefits without thinking about how to fund

them in the future when they were out of office.

The assumption proved catastrophically wrong. The dot-com collapse, followed by the Great Recession of 2007–2009, devastated public pension fund investment returns and added more than \$100 billion in unfunded pension obligations to California's books. The cities of Stockton, Vallejo, and San Bernardino filed for bankruptcy. Dozens of other municipalities were left navigating a slow fiscal suffocation as pension contributions consumed ever-growing shares of general fund budgets, crowding out money for roads, libraries, public safety staffing, and services that residents depend on every day. Even former Governor Gray Davis, who signed SB 400, has acknowledged that the benefit expansion was a mistake.

By 2011, the need for comprehensive reform had become unmistakable. Gov. Brown released his Twelve-Point Pension Reform Plan, which proposed equal sharing of pension costs between employees and employers, hybrid defined benefit/defined contribution plans for new employees, increased retirement ages, a three-year final compensation standard to eliminate pension spiking, limits on post-retirement public employment, a ban on retroactive benefit increases, a prohibition on pension holidays, and governance reforms to the CalPERS board. The plan was a serious, substantive effort to put the state on a sustainable path.

What your colleagues in the previous legislature eventually passed as AB 340, signed into law on September 12, 2012, and effective January 1, 2013, as PEPRAs, implemented several of these key provisions — though not all of them. The hybrid plan was abandoned under union pressure. Board governance reforms were dropped. But PEPRAs still established meaningful guardrails: a new, lower benefit formula for new public employees, a minimum retirement age of 57 for safety workers, a three-year final compensation averaging requirement, caps on pensionable compensation, a ban on retroactive benefit enhancements, a prohibition on pension holidays, and — critically — a requirement that employees share equally in the normal cost of their pension benefits, with no employer-paid member contributions for new employees.

These were not arbitrary constraints. They were the product of careful actuarial thinking, lessons learned from the SB 400 disaster, and the hard political reality that California could not continue to hand out pension benefits it lacked the fiscal capacity to fund.

II. What PEPRAs Has Accomplished

The record on PEPRAs' accomplishments is real, even if incomplete. According to CalPERS, PEPRAs has generated approximately \$5.8 billion in savings to the state since taking effect in 2013. An additional \$25 billion in savings is projected over the next decade — but only if PEPRAs' core provisions remain intact. As of the most recent data available, approximately 64 percent of active CalPERS members are now subject to PEPRAs' lower-cost formulas. Over time, as more classic members retire and are replaced by PEPRAs members, the savings will accelerate.

These are not trivial numbers. For a state that was staring down unfunded pension liabilities estimated between \$130 billion and \$583 billion when PEPRAs was enacted — the high end reflecting more realistic discount rate assumptions — every billion in avoided cost matters. The savings PEPRAs provides do not solve the problem, but they represent a credible commitment to not making it worse. That commitment is precisely what AB 1383 proposes to abandon.

Reason Foundation's recently updated [CalPERS Monitor](#) (an excellent resource) makes the current stakes clear. CalPERS carried over \$179 billion in unfunded liabilities at the close of its 2023–24 fiscal year — up from \$114 billion in 2015. Total state and local public pension debt in California now exceeds \$200 billion. In 2025 alone, taxpayers, through government employers at the state, local, and school district

level, [paid \\$23.4 billion to CalPERS](#), the majority of which went toward servicing existing unfunded liabilities rather than building additional retirement security. These are obligations that were incurred years ago and are still being paid — by the same taxpayers who would be asked to shoulder the new obligations created by AB 1383.

III. What AB 1383 Would Actually Do

The [Assembly Floor Analysis](#) describes AB 1383 as targeted relief for public safety workers facing recruitment and retention challenges based upon your characterization that it is reasonable, prospective, and carefully scoped. With respect, the bill is none of those things when examined against its likely fiscal and structural consequences.

The bill makes three interconnected changes, each of which dismantles core PEPRA protection:

First, it expands pensionable compensation by adjusting the pensionable compensation cap upward to align with a more recent federal limit — effectively raising the salary ceiling from which pension benefits are calculated for all PEPRA members. This change alone could add costs in the low hundreds of millions annually in the first year, with a present value of billions of dollars in additional obligations. For a state already paying \$23.4 billion per year into CalPERS, a "low billions" increase in liability is not a modest adjustment; it is a significant expansion of an already crushing burden.

Second, it reduces the retirement age for public safety workers from 57 to 55 and creates a new benefit formula of 3% at age 55. The retirement age provisions of PEPRA were not arbitrary cruelty toward firefighters and police officers. They reflected a straightforward actuarial reality: two additional years of benefit payments, multiplied by thousands of retirees, multiplied across decades of pension obligations, represents an enormous increase in cost. The new 3% at 55 formula alone would increase annual normal cost contributions by approximately \$338 million in the first year and raise the present value of future benefits by \$3.6 billion. These costs fall on every local government and school district that participates in CalPERS — including the cities, counties, and special districts that are already struggling to balance their budgets under existing pension obligations.

Third, it allows employers and unions to negotiate away the 50 percent employee cost-sharing requirement established by PEPRA. This is perhaps the most structurally damaging provision in the bill. When PEPRA passed, one of its central principles was that employees had to have genuine skin in the game — that the cost of pension benefits should be shared equally between workers and taxpayers, not shifted almost entirely onto the public through employer-paid member contributions. AB 1383 would allow that principle to be bargained away in private negotiations between unions and government managers. Taxpayers — who are the ones ultimately responsible for covering any shortfall — would have no seat at that table and no ability to hold either party accountable.

Taking all three provisions together, Reason Foundation's modeling shows that AB 1383 would increase CalPERS's 30-year projected costs from \$485 billion to \$497 billion — an increase of \$12 billion — under the assumption that CalPERS hits its target investment return of 6.8 percent every year. If returns fall short, as they often do, the additional burden to taxpayers would be substantially higher. The Pension Integrity Project's broader modeling, which accounts for more realistic return scenarios, puts the potential cost increase at \$14 billion or more.

IV. The Recruitment and Retention Argument Does Not Justify This Bill

Supporters of AB 1383 argue that the bill is necessary to address a crisis in recruitment and retention

among first responders — that firefighters and police officers are leaving California's public sector because PEPRA's benefit formulas are no longer competitive. This argument deserves a direct and honest response.

First responders deserve adequate compensation, and California's local governments have both the need and the ability to recruit qualified public safety personnel. But the premise that PEPRA's benefit formulas are the primary driver of recruitment difficulties is not well supported by the evidence. Firefighters and police officers in California continue to receive defined benefit pensions that the vast majority of private-sector workers will never see. PEPRA's safety formulas — 2%, 2.5%, or 2.7% at age 57 — represent benefits that remain among the most generous in the country for similarly situated employees. The retirement floors PEPRA established were not austerity measures; they were modest recalibrations of formulas that had grown far beyond what was fiscally sustainable.

More fundamentally, accepting the recruitment argument as a basis for dismantling PEPRA sets a troubling precedent. Under this logic, any time any sector of public employment reports difficulty recruiting, the answer is simply to expand pension benefits — regardless of whether those benefits are funded, regardless of what it does to local government fiscal stability, and regardless of what was learned from the last time California tried this approach. SB 400 was also sold as a tool for improving recruitment and retention. We know how that story ended.

If the legislature genuinely believes that public safety compensation needs to improve, there are fiscally responsible ways to accomplish that goal — including increasing base pay, offering signing bonuses, or improving working conditions — that do not create tens of billions of dollars in long-term unfunded liabilities. AB 1383 does not represent a thoughtful compensation strategy; it represents an attempt to launder pay increases through the pension system, where the true costs are hidden in actuarial tables and deferred to future taxpayers.

V. Process, Transparency, and Taxpayer Rights

Beyond the fiscal substance, AB 1383 raises serious concerns about process and accountability. The bill would allow employers and recognized employee organizations to negotiate pension benefit enhancements — including the waiver of the 50 percent employee cost-sharing requirement — through memoranda of understanding, without any requirement that the broader public be informed of, let alone given the opportunity to weigh in on, the costs those negotiations impose.

This approach is precisely the kind of behind-the-scenes pension deal-making that generated the public backlash that made PEPRA necessary in the first place. The California Government Code already requires actuarial impact analyses before changes to public retirement benefits are authorized. PEPRA itself was passed without a proper independent actuarial review, in the final hours of a legislative session, with a 72-hour public comment window that was effectively ignored. The scars of that rushed process are still visible in the technical corrections that had to be made in subsequent legislation. AB 1383 repeats the same structural mistake by creating pathways for benefit expansions that can be agreed to quietly, implemented without public scrutiny, and paid for by taxpayers who have no practical recourse once the agreements are signed.

A pension process that is genuinely accountable to the public should require transparent actuarial review of any benefit changes, open public hearings before any modification to PEPRA's cost-sharing standards, a clear and specific funding mechanism that does not simply defer costs to future budgets and future taxpayers, and a determination that the pension system has reached a responsible funding threshold before new benefits are added. AB 1383 contains none of these protections.

VI. The Fiscal Context Could Not Be Worse

The Assembly Floor Analysis itself acknowledges the current moment's fiscal instability, noting that federal funding uncertainty, tariff-related economic disruption, potential stagflation, and the ongoing risk of recession are creating serious challenges for pension fund investment returns and local government budgets alike. CalPERS recently lost billions as a result of market volatility. The floor analysis correctly observes that if CalPERS misses its investment return assumption, local governments will be required to make up the difference.

Against this backdrop, AB 1383 would add hundreds of millions of dollars per year in new normal cost obligations — costs that local governments are already struggling to absorb. Cities and counties across the state have told the legislature exactly this: that they are facing budget challenges as revenues fail to keep pace with existing service mandates and pension costs, and that this bill would compound those costs without providing any offset. The bill arrives at perhaps the worst possible time to be expanding pension liabilities.

The CalPERS Monitor published by Reason Foundation earlier this month underscores the deeper structural problem. Taxpayers paid \$23.4 billion to CalPERS in 2025 — most of it going to service debt, not to fund new retirement security. CalPERS has \$179 billion in unfunded liabilities and has been accumulating pension debt faster than it has been paying it down. The responsible course of action is to hold the line on PEPRA until that debt is substantially reduced. AB 1383 moves in exactly the opposite direction.

VII. Summary of Objections

The California Policy Center opposes AB 1383 for the following specific reasons:

- It increases pension liabilities by billions of dollars without providing any new funding to cover those costs, repeating the exact mistake of SB 400 in 1999.
- It reduces the PEPRA safety retirement age from 57 to 55 and creates a new 3% at 55 formula, generating \$338 million or more in new annual normal cost contributions and \$3.6 billion or more in present value liability increases.
- It expands the definition of pensionable compensation for all PEPRA members, adding costs in the low hundreds of millions annually.
- It allows employers and unions to negotiate away the 50 percent employee cost-sharing requirement through MOUs, eliminating a key taxpayer protection without any public input or accountability.
- It imposes these costs on local governments, cities, counties, and school districts that are already financially strained and have explicitly stated their inability to absorb additional pension mandates.
- It undermines a law — PEPRA — that has already generated \$5.8 billion in savings and is projected to save an additional \$25 billion if left intact.
- It arrives at a moment of heightened fiscal uncertainty, when investment markets are volatile, local government revenues are under pressure, and CalPERS is still carrying \$179 billion in unfunded liabilities.
- It bypasses the transparent, actuarially informed, publicly accountable process that any



responsible change to public employee retirement benefits demands.

Conclusion

You have publicly stated that the bill does not grant retroactive benefit increases, does not authorize pension holidays, and does not change the fundamental architecture of PEPRA. That characterization is intentionally misleading. PEPRA is not defined only by its most dramatic provisions. It is defined by the system of guardrails, cost-sharing standards, actuarial disciplines, and benefit limits that together ensure California does not again find itself handing out retirement promises it cannot afford to keep.

AB 1383 removes several of the most important of those guardrails. It lowers retirement ages. It raises benefit caps. It allows cost-sharing protections to be negotiated away in private. And it does all of this without a dollar of new funding and at a time when California is already carrying a massive unfunded liability that taxpayers are servicing every year while their own 401k retirement plans barely stay afloat.

I spent years working to advance public pension reform in California — as a legislative staffer in the State Capitol, as a budget analyst at the Department of Finance, and as the director of pension reform at the Reason Foundation. I was in the room for many of the discussions that eventually produced PEPRA. I have also been candid, in writing that is part of the public record, about where PEPRA fell short — the hybrid plan that was abandoned, the board governance reforms that were dropped, the exemptions that diluted its impact.

PEPRA was never a complete solution. But it was a real and meaningful commitment, made across party lines, that California would not repeat the catastrophic mistakes of SB 400.

Passing AB 1383 would break that commitment. It would tell every city manager, county supervisor, school board member, and local taxpayer in California that the reforms of 2013 — fought for, litigated, and twice affirmed by the California Supreme Court — were conditional, subject to reversal whenever the political conditions were favorable. It would signal to bond markets, to municipal finance analysts, and to the public that California's word on pension reform cannot be relied upon.

And the costs will be real. Governments across this state will reel from them for years to come in cuts to services, in credit downgrades, in the impossible budget choices that occur when pension obligations crowd out everything else. We know this because it happened before and we are still paying for it.

With all due respect, you should withdraw AB 1383 and commission an independent analysis of the impacts of AB 1383 with a full actuarial analysis from CalPERS if you choose to move forward in future years. Anything short of that, is not good faith policymaking. For these reasons, I/we respectfully but firmly oppose AB 1383.

Sincerely,

Lance Christensen

Vice President of Education Policy & Government Affairs