



TO: State Association of County Retirement Systems
FROM: Cara Martinson, Capitol Advocacy
Laurie Johnson, LJ Consulting & Advocacy
DATE: February 6, 2026
RE: **Legislative Update – February**

The Legislature reconvened in early January for the second year of the two-year session. With legislators scrambling to move bills introduced last year to meet the “bill of origin” deadline, advocates are actively lobbying to advance their priorities among the more than 2,000 bills expected to be introduced before the February 20 deadline.

As in previous years, legislation related to housing, homelessness, and climate resiliency will be plentiful. However, emerging priorities in this session include artificial intelligence, immigration, and general cost-of-living and affordability issues across multiple sectors. Leadership changes are also underway. New Senate President pro Tempore Monique Limón announced her leadership team and policy committee chairs just before the holiday break. This year also marks the final year of Governor Newsom’s term, with increasing attention focused on the gubernatorial election as it takes shape. The list of candidates and potential candidates is long, with polls showing nine Democrats and two Republicans as viable contenders. In addition, advocacy and interest groups are actively organizing and collecting signatures for several ballot initiatives expected to appear before voters in November. These measures could increase pressure on lawmakers, as the balance between legislative negotiations and campaign-driven outcomes remains a central consideration.

Budget Update

Governor Newsom’s proposed 2026-27 budget, his final budget in office, is being shaped by both a significant projected deficit and optimistic revenue assumptions. Greater clarity on the proposed spending plan and how the Administration plans to address the deficit will emerge as the Legislature reviews and amends the proposal in the coming months.

Key Details:

- \$349 billion total budget, including \$248 billion from the General Fund
- The Administration projects a \$2.9 billion deficit, significantly lower than the LAO’s projected \$18 billion shortfall. The Governor’s more optimistic outlook assumes



strong stock market-related tax revenues and other favorable economic performance factors.

- Total reserves across all accounts are estimated at approximately \$35-37 billion.

The Department of Finance's 200-plus-page [budget summary](#) provides limited detail and remains largely vague, serving primarily as an initial negotiating framework for the Legislature and stakeholders.

II. Legislative Update:

- **AB 1054 (Gipson)** - This bill would establish the Deferred Retirement Option Program (DRO) as a voluntary program within PERS for employees of State Bargaining Units 5 (Highway Patrol) and 8 (Firefighters). The bill states that the DRO 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 1619 (Valencia)** – This bill would allow county Boards of Supervisors to increase the Board of Retirement trustee per diem from \$100 to \$320.
 - Status: This bill is awaiting policy committee referral in the Assembly.
 - Position: Neutral
- **AB 1383 (McKinnor)** - The bill was heard in the Assembly PERS Committee and advanced out of the Appropriations Committee this month after taking some 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.
 - Authorize a public employer and a recognized employee organization to negotiate a prospective increase to the Defined Benefit (DB) retirement formulas for existing and new safety plan members by:



- Lowering the retirement age from age 57 to 55 for three existing safety DB retirement formulas, and
 - Creating a fourth PEPRA safety DB retirement formula of three percent (3%) at age 55.
- Recent amendments 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 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

- **Assembly Committee on Public Employment and Retirement – Public Retirement Systems: Omnibus Bill** - This bill is expected to include 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: Not yet introduced
- Position: Support

Contact:

If you have any questions, contact Cara Martinson at cmartinson@capitoladvocacy.com, or Laurie Johnson at lauriejconsult@gmail.com.