



**TO:** State Association of County Retirement Systems  
**FROM:** Cara Martinson, Capitol Advocacy  
Laurie Johnson, LJ Consulting & Advocacy  
**DATE:** March 9, 2026  
**RE:** **Legislative Update – March**

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While the urgency surrounding the bill introduction deadline has subsided, the Legislature is now shifting its focus to preparing the budget committees to address a projected multi-year structural deficit. The Assembly and Senate have begun its formal review of Newsom’s January budget proposal through the subcommittee process. Lawmakers are evaluating the Administration’s revenue assumptions, proposed spending reductions, and programmatic changes as part of the early stages of the annual budget process. These hearings will inform legislative priorities ahead of the Governor’s May Revision and subsequent negotiations leading to adoption of the 2026 - 27 state budget. Accurate revenue assumptions are still pending as we await April tax receipts.

On the bill front, 1,798 bills have been introduced, more than 600 of which are “spot bills.” As previously anticipated, the Legislature’s policy priorities largely mirror those of 2025, with housing and affordability continuing to dominate the agenda. Additional areas of legislative activity are expected to include an insurance and wildfire legislative package, as well as issues related to artificial intelligence.

In addition to a significant legislative workload, the 2026 election cycle will include all 100 legislative seats, the Governor, and the remaining statewide constitutional offices. Several statewide initiatives are also anticipated to appear on the November ballot. To date, only one measure has qualified: a constitutional amendment that would revise the vote requirements for initiatives imposing supermajority thresholds. However, several additional and potentially contentious proposals are expected to qualify, including measures related to voter identification requirements, a billionaire wealth tax, and artificial intelligence regulation.

The race to succeed term-limited Governor Gavin Newsom remains fluid and highly competitive, with no clear frontrunner emerging ahead of the June 2026 primary. The field is crowded, particularly among Democrats, with candidates including Eric Swalwell, Katie Porter, Xavier Becerra, Antonio Villaraigosa, Betty Yee, Tony Thurmond, Tom Steyer, and Matt Mahan competing alongside Republican candidates Chad Bianco and Steve Hilton. Recent polling suggests the race remains wide open, with Hilton currently



leading a fragmented field while several Democratic candidates remain clustered in the low-to-mid teens. The large number of Democratic contenders has raised concerns among party leaders that vote-splitting in California's top-two primary system could create an unpredictable path to the November general election.

### III. 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.
  - 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 (as recommended by SACRS Legislative Committee)



- **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 has been referred to the Assembly PERS Committee
  - Position: Neutral (as recommended by SACRS Legislative Committee)
- **AB 1619 (Valencia)** – This bill would allow 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.
  - Status: This bill has been referred to the Assembly PERS Committee
  - Position: Neutral (as recommended by SACRS Legislative Committee)
- **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 has been referred to the Assembly PERS Committee
  - 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 has been referred to the Assembly PERS Committee
  - 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 is awaiting Committee referral
    - 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
  - **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 has been referred to the Senate Local Government Committee
- No position/watch

Contact:

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