PORAC®

AB 1383: A Targeted Solution for a Growing Public Safety Workforce Crisis

California's public safety agencies are struggling to recruit and retain the officers and first responders who communities depend on. Agencies across the state report sustained vacancies, lateral losses to competing jurisdictions, and surging resignation rates — and the retirement formula gap between pre- and post-2013 employees is a critical factor.

Under the current system, two officers doing the same challenging and dangerous job today retire under dramatically different benefit formulas based solely on their hire date. This inequity undermines morale, accelerates departures, and makes it harder to recruit into high-risk careers where competitive retirement security is a primary draw.

Assembly Bill 1383 (McKinnor) addresses these issues directly, making changes that create a more fair and valuable retirement system for the public employees who are putting their lives on the line each day to protect California communities.

How We Got Here: The Public Employees' Pension Reform Act

Enacted in 2013, the Public Employees' Pension Reform Act (PEPRA) comprehensively reformed California's public employee retirement system to address unsustainable pension obligations at a time when the state's economy was still struggling after the 2008 recession.

These reforms were necessary, but, more than a decade later, the depth of the benefit reductions, particularly for public safety employees, has created a structural gap between PEPRA and classic members that is now driving real workforce consequences.

AB 1383: A Commonsense Reform that Makes the System Fairer While Preserving Financial Stability

AB 1383 makes three main adjustments to PEPRA, which only apply to service earned on or after January 1, 2026:

1 **Compensation Cap Alignment:** Raises the PEPRA pensionable compensation limit to the federal IRS ceiling, aligning California with the standard already used nationally. This primarily affects experienced, senior safety personnel in key retention positions – the exact employees hardest to replace.

AB 1383: cont.

2

Retirement Age Adjustment & Flexible New Formula: Lowers the maximum benefit factor age from 57 to 55 for PEPRA safety members and creates a new 3% at 55 safety retirement formula, which only becomes available if an employer and employees mutually agree to its adoption. Injury and disability rates rise with age in safety professions; earlier eligibility can reduce costly workers' compensation claims and disability retirements that create staffing challenges for agencies.

3

Collective Bargaining: Restores a collective bargaining tool that existed for classic members but was eliminated under PEPRA: the ability of employers and employees to negotiate, through an MOU, for the employer to contribute toward the employee's share of pension costs.

Fiscal Impact: A Responsible, Funded Investment in California's Safety

AB 1383 is a responsible approach to making the adjustments necessary to improving the recruitment and retention outlook for public safety roles. The two mandatory provisions, the compensation cap alignment and retirement age adjustment, increase the annual employer share of normal cost contributions by only $151.5 million statewide, compared to CalPERS' forecasted $26.5 billion in employer PEPRA savings from 2023 – 2033.

This figure must be weighed against the very real costs of doing nothing. Sustained vacancies, mandatory overtime to cover open positions, ongoing recruitment, and lateral losses to competing jurisdictions carry measurable price tags that compound year over year. Investing in a competitive retirement benefit now is less costly than managing an ongoing workforce crisis later.

Why Now?

PEPRA was enacted in 2012 to address unsustainable pension obligations and many of its reforms remain essential. But over a decade later, the retirement formula reductions that made sense as emergency measures have created structural recruitment and retention problems that are now threatening public safety.

AB 1383 does not undo what PEPRA achieved. It acknowledges that a law written for 2012 may need calibrated adjustment for 2026 and makes those adjustments in the most targeted and fiscally responsible way possible.