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AB-1383 Public employees' retirement benefits: safety members. (2025-2026)

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Date Published: 01/22/2026 09:00 PM

CORRECTED JANUARY 27, 2026

AMENDED IN ASSEMBLY JANUARY 22, 2026

AMENDED IN ASSEMBLY APRIL 11, 2025

AMENDED IN ASSEMBLY MARCH 10, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 1383

Introduced by Assembly Member McKinnor

~~(Coauthors: Assembly Members Ávila Farías, Boerner, and Nguyen)~~ (Coauthor: Senator Grayson) (Coauthors: Assembly Members Ahrens, Alanis, Ávila Farías, Boerner, Calderon, Castillo, Chen, Connolly, Flora, Hoover, Krell, Nguyen, Ortega, Patterson, Ramos, Ransom, and Solache)

(Coauthors: Senators Grayson and Pérez)

February 21, 2025

An act to amend Sections ~~7522.10, 7522.25, and 7522.30~~ 7522.10 and 7522.25 of, and to add Sections 7522.19 and 7522.26 to, the Government Code, relating to public employees' retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1383, as amended, McKinnor. Public employees' retirement ~~benefits:~~ *benefits: safety members.*

The Public Employees' Retirement Law (PERL) establishes the Public Employees' Retirement System (PERS) to provide a defined benefit to members of the system based on final compensation, credited service, and age at retirement, subject to certain variations. Existing law creates the Public Employees' Retirement Fund, which is continuously appropriated for purposes of PERS, including depositing employer and employee contributions. Under the California Constitution, assets of a public pension or retirement system are trust funds.

The California Public Employees' Pension Reform Act of 2013 (PEPRA) establishes a variety of requirements and restrictions on public employers offering defined benefit pension plans. In this regard, PEPRA restricts the amount of compensation that may be applied for purposes of calculating a defined pension benefit for a new

member, as defined, by restricting it to specified percentages of the contribution and benefit base under a specified federal law with respect to old age, survivors, and disability insurance benefits.

Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System (STRS) and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, creditable service, and age at retirement, subject to certain variations.

This bill, on and after January 1, ~~2026~~, 2027, would require a retirement system *subject to PEPPRA* to adjust pensionable compensation limits to be consistent with ~~a defined benefit limitation established and annually adjusted under federal law with respect to tax-exempt qualified trusts~~. *specified percentages of the contribution and benefit base under the specified federal law with respect to old age, survivors, and disability insurance benefits. The bill would require a new member of STRS to be subject to specified limits of the Teachers' Retirement Law.*

PEPPRA requires each retirement system that offers a defined benefit plan for safety members of the system to use one of 3 formulas for safety members, 2% at age 57, 2.5% at age 57, or 2.7% at age 57.

This bill would establish new retirement formulas, for employees first hired on or after January 1, ~~2026~~, 2027, as 2.5% at age 55, 2.7% at age 55, or 3% at age 55. For new members hired on or after January 1, 2013, who are safety members, the bill would require employers to adjust the formulas for service performed on or after January 1, ~~2026~~, 2027, to offer one of the 3 formulas for safety members that is closest to the formula the employer provided pursuant to existing law. The bill would authorize a public employer and a recognized employee organization to negotiate a prospective increase to the retirement benefit formulas for *safety* members and new *safety* members, consistent with the formulas permitted under ~~the act~~. *PEPPRA, including the new formulas described above.*

This bill would authorize an employer and its employees to agree in a memorandum of understanding to be subject to a higher safety plan or a lower safety plan, subject to certain requirements, including that the memorandum of understanding is collectively bargained in accordance with applicable laws.

~~PEPPRA requires all public employees to pay at least 50 percent of normal costs and prohibits public employers from paying any of the required employee contribution.~~

~~This bill would authorize an employer and employee, through the collective bargaining process, to agree to terms in a memorandum of understanding where the employer pays a portion of employee contribution.~~

By increasing the contribution to continuously appropriated funds, *and by increasing expenditures from those funds*, this bill would make an appropriation.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares the following:

(a) California is experiencing significant challenges in the recruitment and retention of safety personnel, including firefighters, police officers, and other first responders. Competitive retirement benefits are critical to ensuring an adequate and well-trained public safety workforce.

(b) Firefighters face heightened risks of occupational diseases, including elevated cancer rates. Studies have shown that firefighters have a significantly higher risk of developing multiple types of cancer due to prolonged exposure to carcinogens and hazardous materials in the line of duty. In 2022, the International Agency for Research on Cancer identified the occupation of firefighting as a Class 1 carcinogen.

(c) The physical demands of safety positions are extraordinary, requiring peak physical performance, endurance, and exposure to high-stress, life-threatening situations on a daily basis. These factors contribute to increased rates of disability, injury, and early retirement compared to other professions.

(d) Adjusting the retirement age and pension formulas for safety employees is necessary to maintain a sustainable and effective workforce while addressing the unique health and occupational challenges faced by these personnel.

(e) California has a strong history of protecting and promoting collective bargaining rights and providing opportunities for employees and employers to bargain over certain retirement benefits that further enhances

opportunities for public employers and employees to partner on stronger retirement security.

~~(f) Public employees commit their life to service of their communities. Allowing employees to bargain over the payment of the normal cost between employees and employers will facilitate further discussion at the bargaining table, improving conditions for all employees.~~

~~(g)~~

~~(f)~~ The compensation cap established under the ~~public employee pension reform act~~, *California Public Employees' Pension Reform Act of 2013* places limits that are significantly less than the current federal limit. To reflect current wage rates across both safety and miscellaneous employees, it is necessary to reconsider the appropriate compensation cap level, consistent with federal limits.

SEC. 2. Section 7522.10 of the Government Code is amended to read:

7522.10. (a) On and after January 1, 2013, each public retirement system shall modify its plan or plans to comply with the requirements of this section for each public employer that participates in the system.

(b) Whenever pensionable compensation, as defined in Section 7522.34, is used in the calculation of a benefit, the pensionable compensation shall be subject to the limitations set forth in subdivision (c).

(c) (1) The pensionable compensation used to calculate the defined benefit paid to a new member who retires from the system shall not exceed the following applicable percentage of the contribution and benefit base specified in Section 430(b) of Title 42 of the United States Code on January 1, 2013:

(A) One hundred percent for a member whose service is included in the federal system.

(B) One hundred twenty percent for a member whose service is not included in the federal system.

(2) On and after January 1, ~~2026~~, 2027, a retirement system subject to this article shall adjust pensionable compensation limits established by this subdivision to be consistent with the ~~defined benefit rate established by Section 415(b)(1)(A) of Title 26 of the United States Code, as adjusted annually.~~ *following applicable percentage of the contribution and benefit base specified in Section 430(b) of Title 42 of the United States Code on January 1, 2027:*

(A) One hundred percent for a member whose service is included in the federal system.

(B) One hundred thirty-five percent for a member whose service is not included in the federal system.

(3) A new member of the State Teachers' Retirement System shall be subject to the limit established pursuant to subdivision (d) of Section 22119.3 of, or subdivision (c) of Section 26139.5 of, the Education Code.

(d) (1) The retirement system shall adjust the pensionable compensation described in subdivision (c) based on the annual changes to the Consumer Price Index for All Urban Consumers: U.S. City Average, calculated by dividing the Consumer Price Index for All Urban Consumers: U.S. City Average, for the month of September in the calendar year preceding the adjustment by the Consumer Price Index for All Urban Consumers: U.S. City Average, for the month of September of the previous year rounded to the nearest thousandth. The adjustment shall be effective annually on January 1, beginning in 2014.

(2) The Legislature reserves the right to modify the requirements of this subdivision with regard to all public employees subject to this section, except that the Legislature may not modify these provisions in a manner that would result in a decrease in benefits accrued prior to the effective date of the modification.

(e) A public employer shall not offer a defined benefit or any combination of defined benefits, including a defined benefit offered by a private provider, on compensation in excess of the limitation in subdivision (c).

(f) (1) Subject to the limitation in subdivision (c) of Section 7522.42, a public employer may provide a contribution to a defined contribution plan for compensation in excess of the limitation in subdivision (c) provided the plan and the contribution meet the requirements and limits of federal law.

(2) A public employee who receives an employer contribution to a defined contribution plan shall not have a vested right to continue receiving the employer contribution.

(g) Any employer contributions to any employee defined contribution plan above the pensionable compensation limits in subdivision (c) shall not exceed the employer's contribution rate, as a percentage of pay, required to fund the defined benefit plan for income subject to the limitation in subdivision (c) of Section 7522.42.

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(h) The retirement system shall limit the pensionable compensation used to calculate the contributions required of an employer or a new member to the amount of compensation that would be used for calculating a defined benefit as set forth in subdivision (c) or (d).

SEC. 3. Section 7522.19 is added to the Government Code, to read:

7522.19. (a) Notwithstanding any other law, a public employer and a recognized employee organization may negotiate a prospective increase to the retirement benefit formulas for *safety* members and new *safety* members, consistent with the formulas permitted under this ~~article~~ *article, including Section 7522.26.*

(b) Benefit formula increases adopted pursuant to this section shall be established in accordance with Section ~~7522.44 of this article~~ *7522.44.*

~~(c) For safety members, prospective benefit enhancement may be considered using the formulas included in Section 7522.26.~~

SEC. 4. Section 7522.25 of the Government Code is amended to read:

7522.25. (a) Each retirement system that offers a defined benefit plan for safety members of the system shall use one or more of the defined benefit formulas prescribed by this section. A member may retire for service under any of the formulas in this section after five years of service and upon reaching 50 years of age.

(b) The Basic Safety Plan shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	Fraction
50	1.426
50 ¹ / ₄	1.447
50 ¹ / ₂	1.467
50 ³ / ₄	1.488
51	1.508
51 ¹ / ₄	1.529
51 ¹ / ₂	1.549
51 ³ / ₄	1.570
52	1.590
52 ¹ / ₄	1.611
52 ¹ / ₂	1.631
52 ³ / ₄	1.652
53	1.672
53 ¹ / ₄	1.693
53 ¹ / ₂	1.713
53 ³ / ₄	1.734
54	1.754
54 ¹ / ₄	1.775
54 ¹ / ₂	1.795
54 ³ / ₄	1.816
55	1.836

Exhibit A: Page 5

55 ¹ / ₄	1.857
55 ¹ / ₂	1.877
55 ³ / ₄	1.898
56	1.918
56 ¹ / ₄	1.939
56 ¹ / ₂	1.959
56 ³ / ₄	1.980
57 and over	2.000

(c) The Safety Option Plan One shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	Fraction
50	2.000
50 ¹ / ₄	2.018
50 ¹ / ₂	2.036
50 ³ / ₄	2.054
51	2.071
51 ¹ / ₄	2.089
51 ¹ / ₂	2.107
51 ³ / ₄	2.125
52	2.143
52 ¹ / ₄	2.161
52 ¹ / ₂	2.179
52 ³ / ₄	2.196
53	2.214
53 ¹ / ₄	2.232
53 ¹ / ₂	2.250
53 ³ / ₄	2.268
54	2.286
54 ¹ / ₄	2.304
54 ¹ / ₂	2.321
54 ³ / ₄	2.339
55	2.357
55 ¹ / ₄	2.375
55 ¹ / ₂	2.393
55 ³ / ₄	2.411
56	2.429

Exhibit A: Page 6

56 ¹ / ₄	2.446
56 ¹ / ₂	2.464
56 ³ / ₄	2.482
57 and over	2.500

(d) The Safety Option Plan Two shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	Fraction
50	2.000
50 ¹ / ₄	2.025
50 ¹ / ₂	2.050
50 ³ / ₄	2.075
51	2.100
51 ¹ / ₄	2.125
51 ¹ / ₂	2.150
51 ³ / ₄	2.175
52	2.200
52 ¹ / ₄	2.225
52 ¹ / ₂	2.250
52 ³ / ₄	2.275
53	2.300
53 ¹ / ₄	2.325
53 ¹ / ₂	2.350
53 ³ / ₄	2.375
54	2.400
54 ¹ / ₄	2.425
54 ¹ / ₂	2.450
54 ³ / ₄	2.475
55	2.500
55 ¹ / ₄	2.525
55 ¹ / ₂	2.550
55 ³ / ₄	2.575
56	2.600
56 ¹ / ₄	2.625
56 ¹ / ₂	2.650
56 ³ / ₄	2.675
57 and over	2.700

Exhibit A: Page 7

(e) On and after January 1, 2013, an employer shall offer one or more of the safety formulas prescribed by this section to new members who are safety employees. The formula offered shall be the formula that is closest to, and provides a lower benefit at 55 years of age than, the formula provided to members in the same retirement classification offered by the employer on December 31, 2012.

(f) On and after January 1, 2013, an employer and its employees subject to Safety Option Plan One or Safety Option Plan Two may agree in a memorandum of understanding to be subject to Safety Option Plan One or the Basic Safety Plan, subject to the following:

(1) The lower plan shall apply to members first employed on or after the effective date of the lower plan, and shall be agreed to in a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(2) A retirement plan contract amendment with a public retirement system to alter a retirement formula pursuant to this subdivision shall not be implemented by the employer in the absence of a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(3) An employer shall not use impasse procedures to impose the lower plan.

(4) An employer shall not provide a different defined benefit for nonrepresented, managerial, or supervisory employees than the employer provides for other public employees, including represented employees, of the same employer who are in the same membership classifications.

(g) Pensionable compensation used to calculate the defined benefit shall be limited as described in Section 7522.10.

(h) This section shall only apply to service performed between January 1, 2013, and December 31, ~~2025~~ 2026.

SEC. 5. Section 7522.26 is added to the Government Code, to read:

7522.26. (a) On and after January 1, ~~2026~~ 2027, each retirement system that offers a defined benefit plan for safety members of the system shall use one or more of the defined benefit formulas prescribed by this section. A member may retire for service under any of the formulas in this section after five years of service and upon reaching 50 years of age.

(b) The Basic Safety Plan shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at Retirement	Fraction
50	1.426
50 1/4	1.450
50 1/2	1.474
50 3/4	1.498
51	1.522
51 1/4	1.550
51 1/2	1.576
51 3/4	1.602
52	1.628
52 1/4	1.656
52 1/2	1.686
52 3/4	1.714
53	1.742

Exhibit A: Page 8

53 1/4	1.772
53 1/2	1.804
53 3/4	1.834
54	1.866
54 1/4	1.900
54 1/2	1.932
54 3/4	1.966
55 and over	2.000

(c) The Safety Option Plan One shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

Age at

Retirement Age at Retirement	Fraction
50	2.000
50 1/4	2.025
50 1/2	2.050
50 3/4	2.075
51	2.100
51 1/4	2.125
51 1/2	2.150
51 3/4	2.175
52	2.200
52 1/4	2.225
52 1/2	2.250
52 3/4	2.275
53	2.300
53 1/4	2.325
53 1/2	2.350
53 3/4	2.375
54	2.400
54 1/4	2.425
54 1/2	2.450
54 3/4	2.475
55 and over	2.500

(d) The Safety Option Plan Two shall provide a pension at retirement for service equal to the percentage of the member's final compensation set forth opposite the member's age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member.

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Age-at

Retirement Age at Retirement	Fraction
50	2.000
50 1/4	2.035
50 1/2	2.070
50 3/4	2.105
51	2.140
51 1/4	2.175
51 1/2	2.210
51 3/4	2.245
52	2.280
52 1/4	2.315
52 1/2	2.350
52 3/4	2.385
53	2.420
53 1/4	2.455
53 1/2	2.490
53 3/4	2.525
54	2.560
54 1/4	2.595
54 1/2	2.630
54 3/4	2.665
55 and over	2.700

(e) The Safety Option Plan Three shall provide a pension at retirement for service equal to the percentage of the member’s final compensation set forth opposite the member’s age at retirement, taken to the preceding quarter year, in the following table, multiplied by the number of years of service in the system as a safety member. For service subject to this ~~subdivision~~ *subdivision*, the benefit limit shall be 90 percent of final compensation.

Age-at

Retirement Age at Retirement	Fraction
50	2.400
50 1/4	2.430
50 1/2	2.460
50 3/4	2.490
51	2.520
51 1/4	2.550
51 1/2	2.580
51 3/4	2.610

Exhibit A: Page 10

52	2.640
52 ¹ / ₄	2.670
52 ¹ / ₂	2.700
52 ³ / ₄	2.730
53	2.760
53 ¹ / ₄	2.790
53 ¹ / ₂	2.820
53 ³ / ₄	2.850
54	2.880
54 ¹ / ₄	2.910
54 ¹ / ₂	2.940
54 ³ / ₄	2.970
55 and over	3.000

(f) For new members hired on or after January 1, ~~2026~~, 2027, who are safety members, an employer shall offer one or more of the safety formulas prescribed by this section to new members who are safety employees. The formula offered shall maintain the percentage of compensation factor offered as of December 31, ~~2025~~, 2026.

(g) For new members hired on or after January 1, 2013, who are safety members, the employer shall adjust their formula as follows:

(1) For service performed between January 1, 2013, and December 31, ~~2025~~, 2026, the retirement age and formula shall be as offered by the employer between January 1, 2013, and December 31, ~~2025~~, 2026, and subject to Section 7522.25.

(2) For service performed on or after January 1, ~~2026~~, 2027, the employer shall offer the formula in this section that is closest to the formula the employer provided pursuant to Section 7522.25. *The formula offered shall maintain the percentage of compensation factor offered as of December 31, 2026.*

(3) This section shall not be construed to provide retroactive benefits to employees. This section shall adjust the prospective benefit for safety employees by adjusting the retirement age to 55.

(h) An employer and its employees may agree in a memorandum of understanding to be subject to a higher safety plan, subject to the following:

(1) The higher plan shall apply to members or after the effective date of the higher plan, and shall be agreed to in a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(2) The higher plan adopted pursuant to this subdivision shall be subject to Section 7522.44.

(i) An employer and its employees may agree in a memorandum of understanding to be subject to a lower safety plan, subject to the following:

(1) The lower plan shall apply to members first employed on or after the effective date of the lower plan, and shall be agreed to in a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(2) A retirement plan contract amendment with a public retirement system to alter a retirement formula pursuant to this subdivision shall not be implemented by the employer in the absence of a memorandum of understanding that has been collectively bargained in accordance with applicable laws.

(3) An employer shall not use impasse procedures to impose the lower plan.

(4) An employer shall not provide a different defined benefit for nonrepresented, managerial, or supervisory employees than the employer provides for other public employees, including represented employees, of the same employer who are in the same membership classifications.

(j) Pensionable compensation used to calculate the defined benefit shall be limited as described in Section 7522.10.

(k) A safety member that is subject to a defined benefit formula prescribed by this section, who is not a new member, shall be subject to contribution rates established pursuant to Section 7522.30.

~~SEC. 6. Section 7522.30 of the Government Code is amended to read:~~

~~7522.30.(a) This section shall apply to all public employers and to all new members:~~

~~(1) Except as otherwise provided in paragraph (2), equal sharing of normal costs between public employers and public employees shall be the standard. The standard shall be that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution.~~

~~(2) On or after January 1, 2026, an employer and employees may, through the collective bargaining process, agree to terms in a memorandum of understanding where the employer pays a portion of employee contribution.~~

~~(b) The "normal cost rate" shall mean the annual actuarially determined normal cost for the plan of retirement benefits provided to the new member and shall be established based on the actuarial assumptions used to determine the liabilities and costs as part of the annual actuarial valuation. The plan of retirement benefits shall include any elements that would impact the actuarial determination of the normal cost, including, but not limited to, the retirement formula, eligibility and vesting criteria, ancillary benefit provisions, and any automatic cost-of-living adjustments as determined by the public retirement system.~~

~~(c) New members employed by those public employers defined in paragraphs (2) and (3) of subdivision (i) of Section 7522.04, the Legislature, the California State University, and the judicial branch who participate in a defined benefit plan shall have an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, rounded to the nearest quarter of 1 percent, unless a greater contribution rate has been agreed to pursuant to the requirements in subdivision (e). This contribution shall not be paid by the employer on the employee's behalf.~~

~~(d) Notwithstanding subdivision (c), once established, the employee contribution rate described in subdivision (c) shall not be adjusted on account of a change to the normal cost rate unless the normal cost rate increases or decreases by more than 1 percent of payroll above or below the normal cost rate in effect at the time the employee contribution rate is first established or, if later, the normal cost rate in effect at the time of the last adjustment to the employee contribution rate under this section.~~

~~(e) Notwithstanding subdivision (c), employee contributions may be more than one-half of the normal cost rate if the increase has been agreed to through the collective bargaining process, subject to the following conditions:~~

~~(1) The employer shall not contribute at a greater rate to the plan for nonrepresented, managerial, or supervisory employees than the employer contributes for other public employees, including represented employees, of the same employer who are in related retirement membership classifications.~~

~~(2) The employer shall not increase an employee contribution rate in the absence of a memorandum of understanding that has been collectively bargained in accordance with applicable laws.~~

~~(3) The employer shall not use impasse procedures to increase an employee contribution rate above the rate required by this section.~~

~~(f) If the terms of a contract, including a memorandum of understanding, between a public employer and its public employees, that is in effect on January 1, 2013, would be impaired by any provision of this section, that provision shall not apply to the public employer and public employees subject to that contract until the expiration of that contract. A renewal, amendment, or any other extension of that contract shall be subject to the requirements of this section.~~

SEC. 7. SEC. 6. It is the intent of the Legislature that this act shall not be construed to affect any retirement benefits or pension rights accrued before its effective date.

CORRECTIONS:

Exhibit A: Page 12

Heading—Lines 4 and 7.

Text—Pages 10, 11, 12, and 13.