



California Public Employees' Retirement System

Assembly Bill 1383 Brings Back Major Pension Costs for California

In 2012, California faced a \$200 billion shortfall in pension promises to the state's public workers and suffered from growing retirement benefits with no plan to pay for them. Under the leadership of then Gov. Jerry Brown, lawmakers passed the Public Employees' Pension Reform Act (PEPRA), setting prudent limits on the pension promises made to government employees. PEPRA put California on a long, but vital path toward slowing, and eventually eliminating, the growth of pension-related debt. Assembly Bill 1383 (AB1383) directly threatens the state's progress.

PEPRA Has Saved Billions, but it Still Needs Decades to get California on Track. The California Public Employees' Retirement System (CalPERS) estimates that PEPRA has saved the state more than \$5 billion since its inception. Another \$25 billion in savings is estimated over the next 10 years, but only if members reject AB1383 and guard the shared PEPRA commitments.

How AB1383 Would Undermine the PEPRA Reforms:

- It expands the definition of pensionable compensation for all California pensions, **granting large—and expensive—benefit bumps** for the state's top-earning government workers.
- It **removes critical cost-sharing requirements** that have shielded taxpayers from paying for all unexpected pension costs. The bill would allow employers to pay part of employees' required contributions, which would undermine the shared limit set by PEPRA and disrupt the careful balance of responsibility established by the 2012 reform.
- It makes **special exceptions for public safety workers**, reducing their retirement age from 57 to 55, and granting them a new level of higher-cost benefits. It also changes rules to allow public safety employers to move all of their existing members into this new higher-level benefit.

AB1383 Would Cost Taxpayers More than \$9 Billion. State taxpayers are already heavily burdened by the costs of pension enhancements going back to 1999. According to CalPERS, AB1383 would add an additional \$9 billion over the next 20 years. The ultimate cost to taxpayers could extend well beyond that if market results resemble those of the last 20 years, or CalPERS continues its prudent lowering of its expected rate of return on investments.

Bottom Line: *AB1383 rolls back crucial elements of the landmark PEPRA reform, which would impose billions in extra costs on the state's already stretched taxpayers. California needs to stay the course with PEPRA and fully fund its pensions before promising richer benefits.*

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