

PROPOSED LEGISLATION: CALIFORNIA AB1383 (2025)

CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM – PUBLIC SAFETY 2% @ 57

OVERALL ASSESSMENT



SLIGHTLY BETTER

For more details on how we make this assessment, please visit:

[Equable.org/RSR-Policy-Score-Methodology](https://equable.org/RSR-Policy-Score-Methodology)

PROPOSED LEGISLATION SUMMARY

- The proposed bill would increase the benefit multiplier for public safety employees. Multipliers would shift from 2.0% to 2.5%, 2.5% to 2.7%, and 2.7% to 3.0%, depending on the employer contract.
- Age requirements for normal retirement for public safety members would be reduced from 57 to 55.
- The bill would also modify the 50/50 cost sharing agreement established under PEPRA to allow collective bargaining agreements to shift some required member contributions onto employers.

The current plan is a Defined Benefit Pension Plan with a 2% multiplier at normal retirement age 57.

The proposed plan scored below is a Defined Benefit Pension Plan with a 2.5% multiplier at normal retirement age 55.

HOW WOULD THE PROPOSED LEGISLATION CHANGE THE PROJECTED VALUE OF BENEFITS OR REPLACEMENT RATES FOR DIFFERENT GROUPS OF WORKERS COVERED BY THE RETIREMENT PLAN?

	SHORT-TERM WORKERS <10 Years of service		MEDIUM-TERM WORKERS 10-20 years of service		FULL-CAREER WORKERS >20 years of service	
SHARE OF ACTIVE PLAN PARTICIPANTS	35.5%		8.1%		56.4%	
AVERAGE RETIREMENT BENEFIT PROVIDED BY THE PLAN						
	ESTIMATED ANNUAL BENEFIT	NORMALIZED REPLACEMENT RATE	ESTIMATED ANNUAL BENEFIT	NORMALIZED REPLACEMENT RATE	ESTIMATED ANNUAL BENEFIT	NORMALIZED REPLACEMENT RATE
CURRENT PLAN 2% @ 57	\$3,767	3.3%	\$9,983	8.8%	\$49,198	43.4%
PROPOSED CHANGES 2.5% @ 55	\$3,560	3.1%	\$13,346	11.8%	\$58,114	51.3%
TOTAL VALUE OF BENEFIT EARNED (WITHDRAWN OR TAKEN AS A PENSION)						
CURRENT PLAN 2% @ 57	\$93,461		\$247,647		\$1,220,489	
PROPOSED CHANGES 2.5% @ 55	\$93,461		\$350,363		\$1,525,611	
NET CHANGE	\$0 NO CHANGE		\$102,716 ↑ INCREASE		\$305,122 ↑ INCREASE	
RSR RETIREMENT BENEFITS SCORE (BASED ON 70% REPLACEMENT RATE TARGET)						
CURRENT PLAN 2% @ 57	12.6 out of 30		14.5 out of 30		19.5 out of 30	
PROPOSED CHANGES 2.5% @ 55	12.4 out of 30		14.8 out of 30		22.3 out of 30	
CHANGE IN SCORE	-0.2 points ↓ DECREASE		+0.3 points ↑ INCREASE		+2.8 points ↑ INCREASE	

Notes: Benefit figures are in current dollars. The purchasing power of benefits earned may decline significantly for those who leave service years or decades before they are eligible to withdraw benefits. Estimated benefit values are based on a 25-year-old entrant earning an average starting salary and using the plan's salary growth assumptions. "Total Value" is equal to the net present value of benefits using the plan's reported assumptions from their most recent actuarial valuation. **For more information about the Estimated Annual Benefit, Normalized Replacement Rate, and why those values may differ from your pension benefit calculator, please see our methodology article:** <https://equable.org/methodology-replacement-rates/>

EQUABLE'S ASSESSMENT

AB 1383 effectively proposes changing the CalPERS “2% at 57” plan for public safety employees into a “2.5% at 55” pension plan while simultaneously adjusting cost-sharing provisions.

Currently, California public safety employer contracts put their members into one of three groups that designate the benefit multiplier and normal retirement age. Most members are in a 2% @ 57 plan, while some others are in 2.5% @ 57 or 2.7% @ 57 plans. If the proposed changes were adopted, then these groups would be enhanced to 2.5% @ 55, 2.7% @ 55, or 3.0% @ 55. In each case, the existing employer contracts would be slotted into the closest rate – so, for instance, an employer using the 2% @ 57 would then be adjusted to 2.5% @ 55. These changes would be for all new employees and would retroactively apply to all active members currently enrolled in a plan for any service completed after July 1, 2026.

Our overall assessment is **the pension reforms proposed in AB1383 would offer slightly better retirement benefits than those currently available to CalPERS Public Safety 2% at 57 members.**

That said, the changes proposed by AB 1383, like all retirement reforms, offer a series of trade-offs that should be taken into consideration.

Positive Elements of the Proposed Changes:

- The proposed pension reforms would result in an increase in the estimated total benefits for most public safety workers. While Short-Term Workers (who work 10 years or less) would not see a change in their total benefits, Medium-Term Workers (who work 10 to 20 years) would see benefits raised by over \$100,000, and Full-Career Workers (who work 20+ years) would have their benefits grow by more than \$300,000.
- The relaxing of PEPRA's strict cost-sharing between members and their employers means that some employers could end up covering a share of the required employee contributions, reducing the cost of these benefits to their members.
- Employers would be set to automatically shift their contracts to the nearest new multiplier group but technically retain the ability to choose a new contract for their employee benefits, such that they can adopt a different benefit rate if they can reach a new agreement via collective bargaining. For instance, those employers at the 2.7% @ 57 group are not locked into the 3% @ 55 group if they negotiate to a different rate.

Negative Elements of the Proposed Changes:

- Short-Term Workers do not see any notable improvement from the reforms proposed in AB 1383. In both the existing plan and proposed enhanced plan, these members still stand to maximize their benefit by taking a refund of their contributions plus interest.
- This enhancement of benefits is intended to improve recruiting and retention for California's public safety employees. However, there is limited evidence to suggest that such an enhancement will achieve the stated policy goal.
- As of June 30, 2024, CalPERS reported a net pension liability of \$47.77 billion. This means that the plan has almost \$50 billion less than it needs to pay the benefits already earned. There currently is not an actuarial analysis or estimate for the cost of AB 1383, raising the question of how much it will cost for CalPERS to offer these benefit enhancements.

In addition, AB 1383 proposes to amend the cost-sharing provisions that were instituted as part of the PEPRA reforms of 2012. Specifically, under PEPRA employers and employees are entered into a 50/50 cost-sharing agreement for the normal cost of their benefits. Under AB 1383 this agreement would be relaxed such that employees could collectively bargain for the employer to cover a portion of the required member contributions. In practice this has no direct effect on benefit values — if anything, it could lead to more take home pay. However, it is worth noting that part of the PEPRA concept is that if workers have some incentives to see strong pension plan funding (cost-sharing) that it is a net positive for the system overall.

ABOUT THE RETIREMENT SECURITY REPORT (RSR)

The RSR is a universe of in-depth research, interactive tools and other resources to shed light on the quality and value of retirement benefits for all public workers. All RSR projects are based on data from our comprehensive benefit database of retirement plans offered to public workers and use an open-source scoring methodology that accounts for three primary criteria: Eligibility, Income Adequacy (based on a 70% pre-retirement income replacement rate), and Flexibility & Mobility.

ABOUT EQUABLE INSTITUTE

Equable is a bipartisan non-profit that works with public retirement system stakeholders to solve complex pension funding challenges with data-driven solutions. We exist to support public sector workers in understanding how their retirement systems can be improved, and to help state and local governments find ways to both fix threats to municipal finance stability and ensure the retirement security of all public servants.

BACKGROUND DETAILS

KEY RETIREMENT PLAN BENEFIT PROVISIONS

	CURRENT PENSION PLAN 2% @ 57	PROPOSED PENSION PLAN 2.5% @ 55
MULTIPLIER	2.0% with reduced rates prior to reaching age 57.	2.5% with reduced rates prior to reaching age 55.
FINAL AVERAGE SALARY	Average of the highest consecutive three years of pensionable salary.	Average of the highest consecutive three years of pensionable salary.
NORMAL RETIREMENT ELIGIBILITY	Age 57 and vested.	Age 55 and vested.
VESTING	Five years	Five years
MEMBER CONTRIBUTION RATE	Under PEPRA members contribute 50% of normal cost. Currently this is 12%.	Under PEPRA members contribute 50% of normal cost. Currently this is 12%.
REFUNDING POLICY	Members are entitled to a refund of their own contributions plus interest.	Members are entitled to a refund of their own contributions plus interest.
CREDITING RATES	Employee contributions are credited at 6% annually.	Employee contributions are credited at 6% annually.
COST-OF-LIVING ADJUSTMENTS	The standard cost-of-living adjustment (COLA) is 2%. Annual adjustments are calculated and may be less than 2%.	The standard cost-of-living adjustment (COLA) is 2%. Annual adjustments are calculated and may be less than 2%.

TOTAL RETIREMENT BENEFIT COMPARISON FOR CURRENT PLAN V. PROPOSED CHANGES

