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Councilmember

May 16, 2025

The Honorable Tina McKinnor Chair,  
Assembly Committee on Public Employment and Retirement  
1020 N Street, Room 153  
Sacramento, CA 95814

**RE: AB 1383 (McKinnor) Public employees' retirement benefits. OPPOSE (As Amended April 11, 2025)**

Dear Assembly Member McKinnor,

The City of Paramount writes to inform you of our respectful opposition to your Assembly Bill (AB) 1383. This bill would make several significant changes to public employees' retirement benefits, which would ultimately lead to increased pension liability for public agencies.

The Public Employees' Pension Reform Act (PEPRA) was passed in 2012, and most of its provisions went into effect Jan. 1, 2013. PEPRA was designed to address a wide range of issues involving public employee pensions and was a major step in helping local agencies better manage future pension costs and prevent the California Public Employees Retirement System from sliding into insolvency. AB 1383 would upend many of the reforms put in place in 2013 by PEPRA.

Specifically, this bill would: • Increase the pensionable compensation cap;

- Reduce the retirement age for public safety from 57 to 55 prospectively;
- Add a 4th safety tier that is 3% @ 55, prospective and subject to bargaining;
- Allow local agencies to adjust their local formula in a prospective manner; and
- Permit authorized employee representatives to bargain with the employer over the employee share of payment for the normal cost.

While we recognize and appreciate the intent of the bill to support recruitment and retention of essential public safety professionals, the bill would impose increased local pension obligations and undo critical pension reform.

PEPRA has been in place since 2013, and we have had the opportunity to see its impact on pension funds and local agencies. For the state, schools, and public agencies in CalPERS, PEPRA has already led to \$5.8 billion in savings. As years go by and the public sector force skews towards more new members, those savings will increase dramatically.

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Over the next ten years, PEPRA is expected to result in \$26.5 billion in cost savings for CalPERS members<sup>1</sup>. This data does not include the public agencies that maintain their own pension system. PEPRA helps support budgetary stability which supports operational and workforce stability.

AB 1383 increases mandated costs without a way for public agencies to absorb them. The potential cost of this bill comes at a time of fiscal uncertainty. Much like the state, local agencies are facing budget challenges, as revenues are not keeping pace with the costs of delivering services, new mandates, and heightened uncertainty over critical resources. Some counties are currently considering significant budget cuts across all departments. AB 1383 would cause increased benefit costs and new cost pressures over the provisions that can be bargained, leading to serious cost increases for local government.

AB 1383 is also being introduced in a year in which CalPERS is undergoing its asset liability management (ALM) process which could lead to additional costs for local governments. As of June 30, 2024, the Public Employees Retirement Fund (PERF) was approximately 75% funded. Just recently, CalPERS lost about \$15 billion as a result of market volatility. If CalPERS misses its investment return mark of 6.8% on June 30th, local agencies in CalPERS have to pay the difference. Again, this bill would compound costs for local governments and do nothing to offset the costs.

While this bill may be prospective, agencies have already been authorizing salary increases since the passage of PEPRA under the assumption that the cost of benefits would remain in line with current PEPRA law. The prospective costs would likely cause an immediate financial strain on any agency, especially those with a large number of PEPRA safety employees.

Local government decision makers and public agency department heads have been implementing innovative ways to try to boost recruitment and retention and would welcome additional state support and resources for these efforts. However, adding another unfunded mandate on public agencies will not solve the problem of retention and recruitment. It is critical that our pension policy offers sustainable retirement benefits to public agency employees while at the same time ensuring that public agencies have solid retirement benefits to attract and retain highly talented employees. <sup>1</sup> CalPERS 2024 Annual Review of Funding Levels and Risk (published November 2024)

By increasing the cost of these benefits, AB 1383 would result in less money for salary increases, which could therefore harm future recruitment efforts. Additionally, the changes in this bill could result in labor unrest by furthering the equity issues between safety and non-safety employees.

Unfortunately, pension costs for many California public agencies continue to be a challenge, threatening the delivery of basic public services, compromising general fund budgets and indeed, posing a long-term fiscal challenge to the State itself. That is why it

is increasingly important that any change to the system be sustainable, fair to taxpayers and employees, and provide long-term financial stability. Any change to PEPRA must protect the fiscal integrity of public agencies and retirement for public employees.

Our organizations are committed to ensuring competitive benefits for public servants while maintaining the fiscal integrity of critical local services. However, as drafted, this bill would not protect the fiscal integrity of public agencies and would send public agencies and our pension funds in the wrong direction.

For the reasons discussed above, the City of Paramount respectfully is opposed to AB 1383. We look forward to continued conversations and collaboration with stakeholders on addressing pension sustainability and employee retention and recruitment. If you have any questions, please do not hesitate to contact our City Manager John Moreno at (562) 220-2225. We appreciate your time and consideration.

CITY OF PARAMOUNT



Peggy Lemons  
Mayor

Cc: Honorable Congresswoman Nanette Barragan, 44<sup>th</sup> District  
Honorable State Senator Lena Gonzalez, 33<sup>rd</sup> District  
Honorable Assemblymember Jose Luis Solache, 62<sup>nd</sup> District  
Nicholas Cabeza, Public Affairs Manager, League of California Cities  
Jorge Morales, Legislative and Governmental Affairs Consultant, California Contract Cities Association