Board of Administration

Agenda Item 8c

November 18, 2026

Item Name: State Legislative Proposal: Technical and Clarifying Amendments to the Public Employees' Retirement Law

Program: Legislation

Item Type: Action

Recommendation

Sponsor legislation to make technical and clarifying changes to sections of the Government Code affecting the benefit programs administered by the California Public Employees' Retirement System (CalPERS).

Executive Summary

CalPERS team members are seeking the approval of the CalPERS Board of Administration to sponsor legislation that would make the following technical and clarifying changes:

- Provide additional clarity regarding the compliance requirements for the Two-Years Additional Service Credit optional benefit, also referred to as the Golden Handshake.
- Make other technical and conforming changes to ensure proper application of the laws administered by CalPERS.

Strategic Plan

This proposal supports the CalPERS 2022-27 Pension Sustainability Strategic Plan goal to strengthen the long-term sustainability of the pension fund, and to reduce complexity across the enterprise.

Background

CalPERS benefit programs and administrative processes are subject to numerous statutory requirements. These statutes sometimes require updates to address inconsistencies or ambiguities identified by team members or stakeholders. In these cases, clarifying legislative changes are appropriate for the continued administration and good governance of CalPERS.

Analysis

Golden Handshake Compliance Documentation

The Golden Handshake provision of the Public Employees Retirement Law (PERL) allows an employer to contract for this benefit and to provide its employees two years of additional service credit if they retire during a designated period and meet certain eligibility criteria. This benefit is only available when the employer is facing an impending curtailment, or a change in the manner, of performing service and it is in the best interest of the employer.

If an employer contracts with CalPERS to offer the Golden Handshake, prior to offering a member the Golden Handshake, the employer must submit the CalPERS Certification of Compliance forms to certify that the employer is electing to exercise the Golden Handshake because of impending mandatory transfers, demotions, and layoffs that constitute at least 1% of the job classification, department, or organizational unit. The employer must also certify its intention that, at the time the Golden Handshake was offered, at least one permanent vacancy will remain following any early retirements elected as part of the Golden Handshake. A school employer must certify its intention that the Golden Handshake will result in either a net savings or an overall reduction in its workforce.

CalPERS relies on the CalPERS Certification of Compliance documents submitted by employers to certify compliance. However, during the 2023 Additional Service Credit (Golden Handshake) review, CalPERS observed that employers did not consistently document or retain documentation to support the Certification of Compliance and demonstrate that they were facing an impending curtailment of, or change in the manner of performing, its services, or that the other requisite conditions had been satisfied.

CalPERS team members propose to amend existing law to clarify the information a contracting agency must provide and retain to certify compliance with the Golden Handshake provisions.

Budget and Fiscal Impacts

These technical and clarifying changes should lower administrative costs by reducing ambiguities within these laws.

Benefits and Risks

Benefits:

- Provides additional clarity regarding documentation needed from employers seeking to use the Golden Handshake provision.
- Provides consistency in the administration of benefits and streamlines processes.

Risks:

- In the absence of clarifying amendments, documentation provided by employers may not consistently support compliance with current statutory requirements.

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