



NEWPORT BEACH

City Council Staff Report

May 26, 2026
Agenda Item No. 4

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: Jason Al-Imam, Administrative Services Director/Treasurer - 949-644-3126, jalimam@newportbeachca.gov

PREPARED BY: Jason Al-Imam, Administrative Services Director/Treasurer

TITLE: Amendment No. One to Professional Services Agreement with MissionSquare Retirement for Retirement Health Savings Plan Recordkeeping, Administration, and Claims Processing Services — One-Year Term Extension (Contract No. C-7279-2)

ABSTRACT:

For the City Council's consideration is a one-year extension of the agreement with The International City Management Association Retirement Corporation, doing business as MissionSquare Retirement (MissionSquare), for administration of the City of Newport Beach's Retiree Health Savings (RHS) Plan, extending the contract term through April 2027.

The RHS Plan, in place since 2006, provides employees with a tax-advantaged method to fund retiree healthcare expenses. Following an unsuccessful competitive solicitation in 2025, staff recommends extending the current agreement to ensure uninterrupted plan administration while a new request for proposals is prepared. As part of the proposed amendment, MissionSquare has agreed to reduce its annual administrative fee from 0.135% to 0.129%; these fees are paid directly by plan participants.

RECOMMENDATIONS:

- a) Determine this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) and 15060(c)(3) of the CEQA Guidelines because this action will not result in a physical change to the environment, directly or indirectly; and
- b) Authorize the Mayor and City Clerk to execute Amendment No. One to Professional Services Agreement with The International City Management Association Retirement Corporation, doing business as MissionSquare Retirement for Retirement Health Services Plan Agreement, Contract No. C-7279-2, extending the agreement term by one year through April 2027 and incorporating a reduction in annual administrative fees from 0.135% to 0.129%, with all other terms and conditions remaining unchanged.

DISCUSSION:

The City has offered the RHS Plan to its employees since 2006, providing a tax-advantaged vehicle for retirees to pay qualifying healthcare expenses. The Plan has been administered by MissionSquare. The current agreement (Contract No. C-7279-2) was executed by the City Manager on April 6, 2021, with a three-year initial term and two automatic one-year renewals, for a maximum five-year term expiring in April 2026. Because the proposed extension would result in a total term of six years, City Council approval is required under Administrative Procedure No. 1 (AP-001), which limits City Manager contract term authority to five years.

In October 2025, the City issued RFP No. 26-16, soliciting proposals for RHS Plan Recordkeeping, Administration, and Claims Processing services. After evaluating the responses received, staff determined that the proposals did not meet the City's service requirements, and no award was made. A one-year extension of the current agreement is necessary to maintain uninterrupted plan administration while staff prepares and issues a new competitive solicitation.

Additionally, the City has for several years requested that MissionSquare deploy a debit card feature enabling retirees to access their RHS funds directly. This capability has been a consistent request from plan participants. MissionSquare has continued to represent that debit card services will be available within the next 12 months but has not yet delivered this functionality. The one-year extension will serve as a final performance period for MissionSquare to demonstrate its ability to fulfill this service need.

As part of the proposed extension, staff negotiated a reduction in MissionSquare's annual administrative fee from 0.135% to 0.129%, a decrease of 0.6 basis points (approximately 5%). These fees are paid directly by plan participants from their RHS accounts. This reduction reflects the City's continued efforts to lower costs for plan participants during the extension period.

FISCAL IMPACT:

There is no financial impact to the City. All recordkeeping, administration and claims processing fees are paid directly by plan participants from their RHS accounts. The proposed amendment includes a reduction in the annual administrative fee from 0.135% to 0.129%, resulting in cost savings to plan participants.

ENVIRONMENTAL REVIEW:

Staff recommends the City Council find this action is not subject to the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (the activity is not a project as defined in Section 15378) of the CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3, because it has no potential for resulting in physical change to the environment, directly or indirectly.

NOTICING:

The agenda item has been noticed according to the Brown Act (72 hours in advance of the meeting at which the City Council considers the item).

ATTACHMENT:

Attachment A – Amendment No. One with MissionSquare