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# **NEWPORT BEACH**

## **City Council Staff Report**

July 8, 2025  
Agenda Item No. 6

**TO:** HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

**FROM:** Grace K. Leung, City Manager - 949-644-3001,  
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**TITLE:** Resolution No. 2025-43: Requesting a CalPERS Contract Amendment to Eliminate Section 20516(a) Cost Sharing for Citywide Miscellaneous Tier I Employees

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**ABSTRACT:**

Since 2007, Tier I miscellaneous employees have contributed 2.420% of the employer's California Public Employees' Retirement System (CalPERS) share under a cost-sharing arrangement pursuant to Government Code Section 20516(a), in addition to the statutory 8% member contribution. Following recent labor negotiations, the City of Newport Beach has reached or is finalizing agreements with most employee groups to reduce or eliminate this cost-sharing contribution. The proposed resolution initiates the process to amend the City's contract with CalPERS to remove the Section 20516(a) contribution, a time-sensitive change in light of newly negotiated labor agreements taking effect.

**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) Adopt Resolution No. 2025-43, *A Resolution of the City Council of the City of Newport Beach, California, Requesting the California Public Employees' Retirement System (CalPERS) Amend the Contract Between the City of Newport Beach and the Board of Administration of CalPERS to Reduce or Eliminate Cost Sharing Pursuant to Government Code Section 20516(A) for City Miscellaneous Tier I Employees Citywide.*

**DISCUSSION:**

Since 2007, the City's CalPERS contract has included a cost-sharing arrangement for Tier I miscellaneous employees (City employees not in the CalPERS safety retirement plan hired on or before November 23, 2012) under which employee groups agreed to contribute a portion of the employer's share toward their pensions pursuant to Government Code Section 20516(a). This contribution is in addition to the statutory 8% member contribution required for Tier I miscellaneous employees. Currently, the

CalPERS contract requires employees to contribute 2.420% of the employer's share under this cost-sharing arrangement.

In addition, employees have been required to contribute further amounts based on the terms of their respective labor agreements, pursuant to Government Code Section 20516(f).

The City has entered into good faith labor negotiations with City labor groups who represent miscellaneous City employees, as well as discussions with its unrepresented employees. As a result of those negotiations, the City has entered into tentative agreements with most of these groups and employees to reduce or eliminate the amount of employee cost sharing set forth in those agreements, and anticipates reaching agreements with the remaining groups shortly.

For employees who will continue to cost share, contributions will be governed solely through collective bargaining agreements pursuant to Government Code Section 20516(f). The City has been informed by CalPERS that eliminating cost sharing under section 20516(a) requires a contract amendment with CalPERS.

The City is aware that processing such a contract change of this type is likely to take at least a few months. This is a matter of great urgency because the labor agreements with many groups are going into effect imminently and, in one case, is already in effect.

The proposed resolution initiates the process to amend the CalPERS contract by reducing the Section 20516(a) cost-sharing contribution from 2.420% to 0%.

**FISCAL IMPACT:**

There is no fiscal impact associated with this item, as the cost of the reduced employee cost-sharing contributions has already been incorporated into the amended budget following the adoption of the related agreements for the affected bargaining groups.

**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 – Resolution