



CITY OF

NEWPORT BEACH

City Council Staff Report

August 26, 2025
Agenda Item No. 36

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

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TITLE: Ordinance No. 2025-21: Authorizing an Amendment to the City's
Contract with CalPERS to Eliminate Section 20516(a) Cost Sharing
for Citywide Miscellaneous Tier I Employees

ABSTRACT:

Since 2007, Tier I miscellaneous employees have contributed an additional 2.420% of the employer's share of pension costs to the California Public Employees' Retirement System (CalPERS) under a cost-sharing provision pursuant to Government Code Section 20516(a), in addition to their statutory 8% member contribution.

Following recent labor negotiations, the City of Newport Beach has reached, or is in the process of finalizing, agreements with most employee groups to reduce or eliminate this cost-sharing contribution. Employees will, however, remain responsible for their statutory 8% member contribution.

CalPERS has advised that eliminating cost sharing under Section 20516(a) requires a contract amendment. On July 8, 2025, the City Council approved Resolution No. 2025-43 to initiate this amendment process. Subsequently, on July 22, 2025, the Council approved Resolution No. 2025-48, adopting a resolution of intention to proceed with the proposed contract amendment. As the next step, a proposed ordinance is being presented to the City Council to formally implement these changes.

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) Waive full reading, direct the City Clerk to read by title only, and introduce Ordinance No. 2025-21, *An Ordinance of the City Council of the City of Newport Beach, California, Authorizing an Amendment to the Contract Between the City Council of the City of Newport Beach and the Board of Administration of the California Public Employees' Retirement System*; and pass to a second reading on September 9, 2025.

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 that 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 the majority 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 cost-sharing, those 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 understands that processing such an amendment typically takes several months. This matter is urgent, as many of the new labor agreements are already in effect.

On July 8, 2025, the City Council approved Resolution No. 2025-43, initiating the process to amend the CalPERS contract to reduce the Section 20516(a) cost-sharing contribution from 2.420% to 0%. On July 22, 2025, the Council approved Resolution No. 2025-48, adopting a resolution of intention to proceed with the amendment.

The next step is the introduction of an ordinance to formally implement the changes.

FISCAL IMPACT:

California Government Code Section 7507 requires disclosure of the future costs associated with any changes to retirement benefits. The proposed amendment to the City's contract with CalPERS would eliminate the current cost-sharing arrangement under which affected employees contribute 2.42% toward the employer's share of retirement costs. Once the contract amendment takes effect, the City would resume paying this 2.42% portion. As such, the amendment does not result in any increase to the overall cost of retirement benefits—only a shift in who is responsible for paying this portion, from

employees back to the City. Employees will, however, remain responsible for their statutory 8% member contribution.

From a budgetary perspective, 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 - Ordinance No. 2025-21