



CITY OF NEWPORT BEACH

100 Civic Center Drive
Newport Beach, California 92660
949 644-3004 | 949 644-3039 FAX
newportbeachca.gov

Mayor

Will O'Neill

Mayor Pro Tem

Brad Avery

Council Members

Joy Brenner

Diane Brooks Dixon

Marshall "Duffy" Duffield

Jeff Herdman

Kevin Muldoon

August 17, 2020

The Honorable Anthony Portantino
Chair, Senate Appropriations Committee
State Capitol Building, Room 2206
Sacramento, CA 95814

RE: **AB 2967 (O'Donnell) Public Employees' Retirement System: Contracting Agencies: Exclusion from Membership**
Notice of Opposition (As Amended June 29, 2020)

Dear Senator Portantino,

The City of Newport Beach respectfully opposes AB 2967 which would reduce the authority of contracting public agencies to amend their contracts with the California Public Employees Retirement System (CalPERS).

This bill is a response to a very unique circumstance that arose out of the City of Placentia in Orange County. After years of contracting with Orange County Fire Authority, the City decided to start its own fire department but not offer CalPERS membership as a retirement option for the new members. Placentia was able to do this because they had not had a fire department in over forty years and were motivated to save costs by not contracting with CalPERS for new employees.

We believe it is enormously important that the local control which allowed Placentia to pursue this arrangement be jealously guarded. At a time when governments at all levels of society are struggling with the dual challenges of lowered revenues and consistent or higher demands of services, now is not the time to reduce one of the "tools in the toolbox" for local governments to manage their operations.

If enacted, this bill would prohibit cities, special districts, and counties contracted with CalPERS from exploring alternative novel and fiscally innovative retirement options.

CalPERS may not be the perfect retirement option for all employees and all public agencies in all circumstances. It is well understood by parties on both sides of the negotiating table across the State that even before the pandemic-induced recession, cities were grappling with high pension costs and difficult-to-manage unfunded accrued liabilities.

While all local governments are committed to their current promises to employees and retirees that does not change the fact that CalPERS costs are generally a source of fiscal stress for public employers.

Beyond the reduction in flexibility and local control presented by this bill, we also question the necessity of it being proposed in the middle of the unique circumstances of the 2020 legislative year. All stakeholders and legislators have had to adjust their requests and legislative packages in response to the challenges of COVID-19.

Accordingly, we believe it is inappropriate to attempt to have a deliberate policy discussion about this bill which would impact the governance of thousands of public agency contracts with only two months left in the legislative calendar.

Additionally, without an appropriate conversation it is unclear what ramifications this measure could have on future contracts.

To make a statewide change without understanding what the implications could be in the future would in our estimation, be misguided at best, and disastrous at worst.

For these reasons, the City of Newport Beach opposes AB 2967.

Sincerely,

A handwritten signature in black ink, appearing to read "Will O'Neill", written in a cursive style.

Will O'Neill
Mayor