

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No.	7a
Date of Meeting	June 4, 2013

DATE: May 28, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Tammy Woodard, Assistant HRD Director – Total Rewards
SUBJECT: Briefing – Total Rewards Philosophy

SYNOPSIS:

Since early 2011 Port staff has been working to define, communicate and implement a Total Rewards philosophy to holistically guide the management and administration of the individual plans and programs that make up the overall Total Rewards package. The philosophy also helps employees understand the full extent of the Total Rewards package that is available to them because they choose to work at the Port. The Total Rewards philosophy is a set of principles that define the desired state of the five categories of Total Rewards at the Port – Pay, Benefits, Learning and Development, Recognition and the Port Experience. *Overarching Principles* provide guidance to the entire Total Rewards package while *Core Principles* provide specific guidance to each of the Total Rewards categories.

Once the Total Rewards philosophy was defined, the plans and programs that make up the current Total Rewards package were compared to the Overarching and Core Principles. Where gaps between the current Total Rewards and the principles of the philosophy exist, work plans are being developed to address the gaps and move toward alignment with the Total Rewards philosophy. The Commission will be asked to approve the principles that make up the Total Rewards philosophy at a subsequent meeting.

BACKGROUND:

Most organizations have a Total Rewards Philosophy although it may not be purposefully defined or communicated, and it may not be consistently used to guide management and administration of plans and programs. A clearly defined and communicated Total Rewards Philosophy assists the organization in retaining, attracting and engaging the employees with the talents necessary for the Port to achieve its goals and objectives by helping employees understand all that is available to them because of their employment relationship with the Port.

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In early 2011, Port staff began the process of defining and documenting a Total Rewards Philosophy to holistically guide administration and management of the plans and programs the Port makes available to employees in exchange for their contributions to the Port's success. A group of Human Resources and Development (HRD) and Labor Relations (LR) staff together with Chief Financial and Administrative Officer worked with an external consultant to identify the Total Rewards philosophy. The process began with a thorough examination of existing Port documents, plans and programs. Individual interviews with the Chief Executive Officer and members of the Executive Team were conducted to learn their thoughts on future challenges, opportunities and staffing needs for the Port. Department directors were also invited to focus groups to share their thoughts on how the existing Total Rewards package facilitated or detracted from employee attraction, retention, and engagement. The document review and themes from both the interviews and focus groups formed the basis of the Total Rewards Philosophy.

The philosophy definition was completed in late 2011 and the Commission was briefed on the philosophy at the November 1, 2011 meeting. The philosophy was communicated Port-wide in mid-2012 following slight edits to the wording and structure as communication materials were being prepared.

Beginning in early 2012, Port staff began a comprehensive gap analysis where current plans and programs were evaluated against the Total Rewards philosophy to identify gaps and establish work plans to move the Total Rewards package into alignment with the philosophy. This work is continuing, and full alignment will take least several more years.

What is Total Rewards?

Just as no two organizations are exactly the same, total rewards definitions vary from one organization to the next so they can reflect the mission, values, and culture of each organization. At the Port we established the Total Rewards definition as part of the Total Rewards philosophy definition process. The Port's definition of Total Rewards is:

Everything of value that employees and their families receive and have available to them as a result of their contribution to the Port's mission.

The plans and programs that make up the Total Rewards package at the Port fall into five categories:

- *Pay* is the cash employees receive in exchange for the work they perform.
- *Benefits* are the plans and programs that enhance employee well-being.
- *Learning and Development* includes opportunities for employees to expand their experience, knowledge, skills and adaptability in a constantly changing work environment. These opportunities may be formal or informal, required or voluntary, port/profession-specific, or more broadly based.

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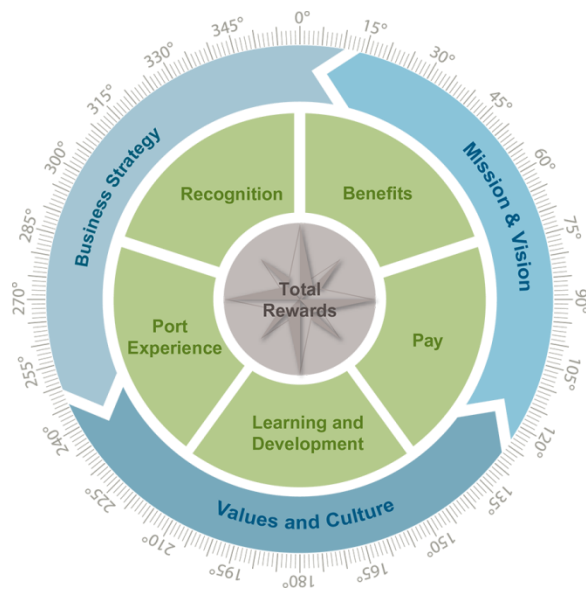
- *Recognition* is an acknowledgment of employee contributions, commitment, and efforts toward Port endeavors and achievements. Recognition may be individual or team-based, formal or informal, tangible or intangible.
- *The Port Experience* includes programs and activities that recognize Port employees' passion, creativity and motivation; are reflective of the Port's mission and values, and create pride in working for an organization that honors individuality and diversity of employees and the surrounding community.

What is a Total Rewards Philosophy?

A Total Rewards Philosophy specifies what is important to consider when designing and delivering the Total Rewards package and differs from a strategy which specifies how something will be achieved. The Philosophy flows from the organization's values and supports the organization's mission. The Philosophy is, ideally, flexible enough to guide decisions about the Total Rewards package through a wide variety of economic environments and changing regulatory requirements and also provides sufficient specificity to guide on-going management of plans and programs within the overall package.

What is the Port's Total Rewards Philosophy?

The following graphic illustrates how Total Rewards at the Port flows from the Mission, Vision, Values, Culture and Business Strategy and how the five categories combine to make up the entire package.



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The Port's Total Rewards Philosophy is comprised of two sets of principles. *Overarching Principles* provide guidance to the management and administration of all Total Rewards plans and programs. *Core Principles* are unique to each category of Total Rewards and provide additional guidance to managing and administering plans and programs within a specific category.

The *Overarching Principles* of the Port's Total Rewards Philosophy are:

- *Mission, Values and Strategy* – Total Rewards must reflect and support the Port's mission, values and long-term business strategy, nurture our unique culture and grow our business.
- *Employees* – Total Rewards must support employees performing their best, as well as their growth and well-being.
- *Sustainability* – Total Rewards must be managed in a fiscally responsible way that is sustainable over time, and Total Rewards decisions must recognize the financial impact on our organization, customers and community.
- *Inclusiveness* – Total Rewards must be applied fairly and consistently among all employees to support one organization working to accomplish overall Port goals.

The *Core Principles* for each of the Total Rewards categories are:

Pay

- Pay should be at market average
- Pay increases should be market competitive
- Similar pay for similar work is important

Benefits

- The total benefits package should be slightly better than market average
- Benefits offerings should provide choices to meet diverse employee needs at different life stages
- Employees should take an active role in understanding and utilizing their benefits responsibly
- The benefits package should provide at least a minimum level of financial security in the event of a disability
- Employees should share in the cost of their healthcare

Learning and Development

- Employees should have access to a range of learning and development activities to increase their capability to serve the Port's needs
- Employees and the Port share responsibility for employee development
- Employees should receive regular performance feedback
- Employees should have written development plans that are reviewed at least annually

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- Leaders should model their support for learning and development through their own development activities

Recognition

- Employee and team accomplishments should be regularly recognized
- Recognition should be meaningful to those being recognized
- Employee tenure should be recognized
- Retiree contributions to the Port should be acknowledged

Port Experience

- The Port values the varied perspectives and ideas that come from a diverse workforce
- The Port offers programs and activities that promote health, safety and preparedness on and off the job
- The Port recognizes our unique position as an entrepreneurial enterprise within a public sector environment
- The Port recognizes that work-life balance is important for employees and the organization
- Working at the Port provides opportunities for both public and community service

It is important to recognize the balance that the principles of the Total Rewards Philosophy requires and acknowledge that maintaining this balance may, at times, be difficult. This is particularly true within the Core Pay Principles where the philosophy refers to both internal and external equity as important. It is also true with the Overarching Principles sustainability principle (fiscally responsible and sustainable over time) and the Core Pay and Benefits Principles (pay at market and total benefits package slightly better than market average) where providing a Total Rewards package that compares with the market in the stated ways may be not be financially sustainable.

Gap Analysis:

Once the Total Rewards Philosophy definition work was completed, Port staff began systematically reviewing current plans and programs against the Overarching and Core Principles. This work was completed in 2012 and showed that most plans and programs are well aligned with the Total Rewards Philosophy although there is room for improvement in some areas and a few areas of misalignment do exist. The gap analysis results provide input to HRD and LR work plans for 2013 and beyond.

Highlights of the gap analysis include:

Pay – the non-union pay program is well aligned with the Total Rewards philosophy except for the Foreign Language Premium policy which is very unique to the Port. Pay for union groups will be compared to the Total Rewards philosophy pay principles as collective bargaining agreements are open for negotiation and results of the comparison

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incorporated into negotiations. Port staff will be reviewing the Foreign Language Premium policy and making a recommendation to ensure alignment with the philosophy.

Benefits – benefits programs, overall, are well aligned with the Total Rewards philosophy. There are, however, some notable exceptions. Not all employees covered by union sponsored medical plans contribute to their premiums, and employees covered by the Port sponsored medical plans pay noticeably less than market for medical coverage. The following table shows how the one of the current Port medical plans compares to the most recent survey data.

Type of Cost	2012 Market Median	2013 Port Sponsored Plan
Deductible – Employee Only	\$500	\$350
Deductible – Family Maximum	\$1500	\$1050
Out of pocket maximum – Employee Only	\$2000	\$1000
Out of pocket maximum – Family	\$6000	\$3000
Coinsurance	20%	10%
Employee Only Premium %	5.6%	4.4%
Full Family Premium %	24.4%	11.0%

Notes:

- Market Data is from the 2012 Milliman Northwest Benefits Survey, 2013 survey data is scheduled to be released by the end of June
- As with the gap analysis for pay, union sponsored medical plans will be compared to the Total Rewards philosophy when collective bargaining agreements are open for negotiation.

Port staff is currently working to develop a healthcare strategy to begin moving Port sponsored medical plans toward closer alignment with the market median, to slow health care cost increases, and ensure the Port is well positioned to comply with the upcoming requirements of the Patient Protection and Affordable Care Act. In addition, LR staff began introducing employee premium sharing into collective bargaining agreements as they come open for negotiation.

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Learning and Development – the overall program is well aligned with the Total Rewards philosophy and there are opportunities to improve alignment in a couple areas. Many represented employees do not receive regular performance feedback, and most do not have written development plans. Additionally, funding and support for employee development is not consistent across the Port. Port staff addressing these areas in ongoing work plans.

Recognition – existing employee recognition programs are aligned with the Total Rewards philosophy, yet recognition is not consistent, or common, and employee recognition policies do not provide clear guidance on appropriate types of recognition or the value of recognition. Port staff are working on a revised Employee Recognition Policy to address these issues.

Port Experience – the opportunities and offerings that make up the Port Experience category of Total Rewards are often intangible and difficult to quantify. The gap analysis in this area revealed that what exists is aligned with the philosophy and influences employee engagement. There is, however, an opportunity to continue looking for ways to make offerings in this category more available to employees working at our geographically dispersed locations and who work other than standard office hours. Exploring these possibilities is an ongoing effort.

CONCLUSION:

The principles of the Total Rewards philosophy provide ongoing guidance to Port staff in managing and administering the plans and programs that make up the Port's Total Rewards package. The philosophy, while recently defined and communicated, is based on the Port's mission, vision, values and culture and therefore not significantly different from the how plans and programs had been administered. The *Overarching Principles* of the philosophy will help ensure a holistic approach to administering individual components. The overall philosophy can help current and prospective employees understand the total value of the all that is available to them because they choose to work at the Port and it can help leaders and employees make connections between the Total Rewards package and the Port's values. The philosophy has flexibility built in to it, but as the Port and the environment it operates in changes it will be important to periodically review the Total Rewards philosophy to ensure it remains current.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

- PowerPoint presentation.
- Total Rewards Philosophy document

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PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- June 28, 2011 – Commission Briefing – Total Rewards Philosophy.
- November 1, 2011 – Commission Briefing – Total Rewards Philosophy.