

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>6g</u>
Date of Meeting	<u>June 25, 2013</u>

DATE: June 14, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: Tammy Woodard, Assistant HRD Director – Total Rewards
SUBJECT: Proposed Motion Adopting the Total Rewards Philosophy

ACTION REQUESTED

Request Commission approval of a motion adopting the Total Rewards Philosophy, which includes Overarching and Core Principles that guide management and administration of everything of value that the Port makes available to employees and their families as a result of their contributions to the Port’s mission, including pay, benefits, learning and development, recognition, and participation in the Port experience.

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.

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 program or to communicate Total Rewards to current and potential employees.

There are benefits to a documented and communicated Total Rewards philosophy. These benefits include having a framework for holistically managing and administering the plans and programs that make up Total Rewards at the Port, and providing a tool to support engaging, retaining and attracting employees with the talents necessary for the Port to achieve its goals and objectives by helping current, and potential, employees understand all that the Port makes

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available to them in exchange for their choice to work at the Port and contribute to the Port's success.

In early 2011, Port staff began the process of defining and documenting a Total Rewards Philosophy for the Port. A group of Human Resources and Development (HRD) and Labor Relations (LR) staff together with the Chief Financial and Administrative Officer worked with an external consultant to accomplish this. 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.

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. Total Rewards were defined along with the Total Rewards philosophy. 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.
- 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?

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

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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.
- 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 require 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 Principle of sustainability (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.

ATTACHMENTS TO THIS REQUEST

- Total Rewards Philosophy Commission Motion

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- June 28, 2011 – Commission Briefing – Total Rewards Philosophy.
- November 1, 2011 – Commission Briefing – Total Rewards Philosophy.
- June 4, 2013 – Commission Briefing – Total Rewards Philosophy.