



COMMISSION
AGENDA MEMORANDUM

Item No. 6e

ACTION ITEM

Date of Meeting November 8, 2016

DATE: November 2, 2016
TO: Ted Fick, Chief Executive Officer
FROM: Tammy Woodard, Assistant Human Resources Director, Total Rewards
Paula Edelstein, Senior Director, Human Resources
SUBJECT: 2017 Salary and Benefits Resolution

ACTION REQUESTED

Request first reading of Resolution No. 3727: A resolution of the Port Commission of the Port of Seattle Establishing Jobs, Pay Grades, Pay Ranges, and Pay Practices for Port Employees not represented by a labor union; Authorizing Legally Required Benefits, Other Benefits for Port Employees not represented by a Labor Union including Retirement, Paid Leave, Healthcare, Life Insurance and Disability Benefits, Benefits for Port of Seattle Retirees, and Benefits for Port of Seattle Commissioners; and Authorizing this Resolution to be Effective on January 1, 2017, and Repealing all Prior Resolutions Dealing with the Same Subject, Including Resolution No. 3712 and Resolution No. 3720.

EXECUTIVE SUMMARY

The Salary and Benefits Resolution is the method used for the Port Commission to authorize salaries, establishes benefits, and authorizes the creation and filling of positions as authorized by RCW 53.08.170. The Salary and Benefits Resolution has historically been updated annually and covers the Port's non-represented workforce. The Resolution specifies the individual benefits that comprise the Port's Benefits Package and also establishes the pay grades and pay ranges which describe the minimum to maximum pay available to employees whose jobs are assigned to a specific grade.

The Commission amended the 2016 Salary and Benefits Resolution in May, 2016 to adopt the Incentive Pay Plan. The Incentive Pay Plan will be brought before Commission for first reading on November 22, 2016 in a separate resolution.

DETAILS

The 2017 Salary and Benefits Resolution includes a variety of changes. These changes fall into four categories:

- (1) Revisions to some of the definitions included in the Resolution,
- (2) Updates to the pay grades and pay ranges, and reporting structure.
- (3) A modification to the description of one Port holiday,
- (4) Additions, clarifications and rearrangement to add clarity and facilitate understanding.

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Definitions

The definitions section of the Salary and Benefits Resolution define terms used in the Resolution as well as in Port policies and other documents related to the Port's pay and benefits package. For 2017 *two definitions will be added, Regular Employee and Temporary Employee*. These definitions are used in defining eligibility for various total rewards (pay and benefits) programs.

The 2017 Resolution will also reflect *elimination of the Eligible Employee and Ineligible Employee definitions*. In previous years these definitions were used throughout the Resolution and elsewhere to identify which employees were eligible for the Port's benefits package and which were not. With the simplification of the Resolution for 2016 together with the implementation of the Affordable Care Act and its medical benefits eligibility regulations these definitions have become obsolete.

The final edit to the definitions section is a *modification to the Emergency Hire Employee and Part-Time Employee definitions*. The existing Emergency Hire definition is incomplete and the modification adds details that will be helpful in understanding this classification of employee. The modification of Part-Time Employee was, like the Eligible and Ineligible Employee definitions, related to benefits eligibility in previous years. The modified definition simplifies the definition to reflect an employee regularly scheduled to work less than 80 hours in a pay-period.

Pay Grades and Pay Ranges

Each year HR staff analyzes data from published salary surveys to determine how well existing pay ranges align with market pay rates for Port jobs. Staff also analyzes data from salary planning surveys to determine what adjustments other employers anticipate making to employee pay during the coming year. Results of this work inform recommended adjustments to the pay grade and pay range structure for non-represented employees.

This analysis indicated that 2016 pay ranges for non-represented employees are, overall, at market. Additionally, employers are expecting that the overall average pay increase will be about 3% for 2017. Based on this analysis, the *2.5% pay range increase* included in the 2017 Resolution will maintain pay ranges at market competitive levels for 2017. With this range increase, we estimate 13 employees will have pay rates that are less than the 2017 range minimum and the estimated annual cost of increasing these employees' pay to the new range minimum will be \$16,373.

In addition to increasing the pay range structure, the 2017 structure *eliminates the two lowest ranges, grades 1 and 2*. No non-represented jobs have been assigned to these ranges for many years. Further, these ranges have minimum pay rates less than the upcoming 2018 City of Seattle minimum wage of \$15/hour, which is also the 2017 Port of Seattle pay rate for High School Interns. There are other pay grades with range minimums less than \$15/hour and we do

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have jobs assigned to these ranges though all non-represented employees are paid more than \$15/hour.

During 2017 HR staff will conduct a comprehensive review of jobs assigned to grades with a minimum hourly rate less than \$15/hour. This review will include ensuring that the jobs assigned to these grades are appropriately placed in the Port's grade structure as well as determining how best to adjust the pay grades and ranges to ensure that all non-represented employees are paid more than the City of Seattle minimum wage. Further, during 2017 HR staff will determine how to separate the pay grade and range structure from the rest of the Salary and Benefits Resolution so that it can be reviewed and updated annually, or as needed, without the entire resolution being updated.

In addition to deleting the first two pay grades and their ranges from the Port's grade and range structure for non-represented employees, the 2017 pay grade structure *adds three grades and ranges to the upper end of the structure*. This year's market analysis showed that the current top pay range is not sufficient to ensure market competitive pay for some of the Port's most senior jobs. In past years the published pay range structure has included grades up to a grade 45. The structure for 2017 makes these grades and their ranges visible, and makes them available to assign jobs to when market data or the Port's internal job evaluation system indicates it is appropriate to do so.

Section II updates the reporting structures for the Public Affairs Senior Director and the Internal Audit Director. It adds the Commission Chief of Staff position as well for continuity from the 2013 Salary and Benefits Resolution.

Port Holiday Definition

In recent years the definition of the Port Designated Floating Holiday has evolved. HR staff reviewed State of Washington regulations that govern the minimum holidays the Port must observe and learned that the Port is required to observe Veterans Day. We believe that by designating the Floating Holiday as a holiday in lieu of Veterans Day we can ensure the Port complies with this regulation. As such, this holiday will be defined as the *Port Designated Floating Holiday, in lieu of Veterans Day*.

Additions, Clarifications and Rearrangements

The final type of updates to the 2017 Resolution are new sections, minor clarifications and rearrangement of sections. These edits incorporate new commission authorizations or are intended to aid understanding and clarify meaning. The first of these edits is the addition of section II.A. that specifies the reporting relationship of two positions at the Port as reporting to, at least in part, the Port Commission.

Section II.E. – Pay Practices is rearranged. The Pay for Performance item was relocated from item 4 to item 8 of this section to place it near the end of the section. Also in Section II.E. the

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reference to the one-time lump sum payment that was authorized in the 2016 Resolution is deleted.

The other area where language is updated to add clarity is Section III.B – Additional Benefits for Employees. Language in item III.B.3.a. is updated to reflect a change to benefits eligibility made during 2016 as required by the Affordable Care Act. The other update in this section is item III.B.3.c. where the sentence about employees being required to pay all or part of their medical and dental premiums by payroll deduction and the Port’s right to modify or terminate healthcare benefits are split into two separate items.

Finally, references to 2016 are replaced with references to 2017 for the 2017 Salary and Benefits Resolution.

ATTACHMENTS TO THIS REQUEST

- (1) Resolution No. 3727
- (2) Resolution No. 3727 Exhibit A, Schedule of Authorized Non-Represented Jobs
- (3) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 25, 2016 – Commission Briefing, 2017 Salary and Benefits Resolution