



**COMMISSION
AGENDA MEMORANDUM**

Item No. 7c

BRIEFING ITEM

Date of Meeting October 24, 2017

DATE: October 16, 2017
TO: Dave Soike, Interim Executive Director
FROM: Paula Edelstein, Senior Director Human Resources
Tammy Woodard, Director Human Resources – Total Rewards
SUBJECT: Salary and Benefits Resolution, Commission Briefing

EXECUTIVE SUMMARY

The Salary and Benefits Resolution is the Port Commission’s authorization to provide pay and benefits to the Port’s non-represented employees. The Resolution establishes the pay ranges for non-represented jobs and the various benefits that comprise the overall benefits package offered to non-represented Port employees. This briefing will highlight the proposed changes, including incorporation of Resolution No. 3734, recommended changes to the benefits package, and an adjustment to the 2018 non-represented pay ranges.

Following this presentation and engagement with the Commission, staff will return to request first reading of the Salary and Benefits Resolution on November 14, 2017, followed by second reading and final passage of the Resolution on November 28, 2017.

BACKGROUND

The Salary and Benefits Resolution specifies the pay and benefits programs authorized by the Port Commission while administrative details of these programs are maintained in Port policies. The Resolution also includes authorization for benefits offered to Port of Seattle retirees and to Port Commissioners, as well as, the administrative details for these benefits. Updates to the Resolution are designed to keep the authorized pay and benefit plans current and ensure the Total Rewards package that they are part of continues to support the attraction and retention of employees with the talents and abilities necessary for the Port to achieve its mission, vision and objectives.

RECOMMENDED CHANGES TO THE SALARY AND BENEFITS RESOLUTION

Incorporation of Resolution No. 3734

Consistent with Resolution No. 3734, the new Salary and Benefits Resolution will replace all reference to the Chief Executive Officer or CEO with Executive Director. The new resolution will also add the General Counsel to the list of jobs in section II.A that report to the Commission, jointly to the Commission, or to a committee of the Commission.

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Adjustment to Pay Grades and Ranges for 2018

As in previous years, Human Resources staff examined available market data to determine how well current pay ranges compare to market. Preliminary analysis suggests we will need a 2.5% to 3.0% increase to non-represented pay ranges to maintain a market competitive pay structure. Data will continue to become available over the next several weeks and we will incorporate new data into a specific recommendation at the first reading of the Resolution.

Some of the data we are waiting for comes from other local public employers. The table below shows the planned structure increase/COLA increases local public employers are anticipating for 2018.

Employer	2018 Structure Adjustment	Final or Proposed
City of Bellevue	2.8%	Proposed
City of Federal Way	1.0	Proposed
City of Kent	2.5% - 1/1/18 1% - 7/1/18	Proposed
City of Seattle	2.75	Proposed
King County	2.75%	Proposed
City of Everett	Unknown at this time	
City of Tukwila	Unknown at this time	
Pierce County	Unknown at this time	

Other public employers in the area use ranges with steps for their pay structure vs. the open ranges (no steps) we use for the Port’s non-represented structure. The adjustments to range structures at other public employers result in equivalent, automatic increases to employees’ pay. This is not the case at the Port where the only automatic adjustments are to the new range minimum for employees where it is necessary. Based on data currently available, fewer than 30 employees will require adjustments to the new minimum of their pay range.

In addition to an adjustment to the pay ranges we will be recommending an additional modification to the range structure as follow-up to modifications made for this year. Effective the beginning of 2017, we eliminated grades 1 and 2 from the pay grade structure as no jobs were assigned to those grades, and it has been many years since any jobs were assigned to these grades. We also added grades 43 through 45 to ensure the Port can provide market competitive ranges for the Port’s executive jobs.

The elimination of grades 1 and 2 was related to the increasing City of Seattle minimum wage and the Port’s High School Intern pay rate, both of which were higher than the minimum of the grade 1 and grade 2 range minimums. After further analysis of market rates, the increasing Seattle minimum wage, and the increasing High School Intern pay rate we are recommending that we eliminate four additional grades, grades 3 through 6. There are two employees

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assigned to jobs in these grades. These jobs will be reassigned to grade 7, which will have a range minimum greater than \$15/hour. The employees whose jobs will be reassigned are currently paid within the grade 7 range.

Our analysis of the grade structure included reviewing the numbering of the grades for possible realignment. We concluded that leaving the grade numbering system intact is preferable to realigning them. Changing the grade numbers and realigning them so that the current grade 7 becomes grade 1 would result in all non-represented jobs being assigned to lower numbered grades. Making a change like this in the Port's HR/Payroll system would likely be perceived, by at least some employees, as a grade reduction, or possibly even a demotion, though the pay range for a job would not be reduced. Realigning grade numbers would also require a fair amount of administrative work. The combination of administrative work and the employee perception makes maintaining the current grade numbers the preferable approach.

Adjustments to Authorized Benefits

The new Salary and Benefits Resolution will include several changes to the Benefits section of the Resolution. In the Mandated Benefits section (III.A) we will be returning language to the Resolution that was inadvertently moved to Port policy authorizing contributions to an alternative plan in lieu of Social Security for Police and Fire Department non-represented management employees working in LEOFF eligible positions. LEOFF is the State Department of Retirement Systems plan that covers sworn Police and Fire personnel and Port LEOFF members do not participate in Social Security. This 'in lieu of' plan was previously authorized through the Salary and Benefits Resolution and when the Resolution was simplified in 2016 the language authorizing this benefit was accidentally moved from the Resolution to Port policy.

In the Paid Leave section (III.B.1.b) the Extended Illness (EI) Leave will be renamed as Sick Leave. Administrative details of this plan will be updated in Port Policy, HR-5 Leaves. The changes are being made in response to feedback received from employees through the Employee Benefits Survey conducted in the fall of 2016, follow-up input from employees received through focus groups conducted in August of this year, and to ensure compliance with the Washington paid sick leave law that becomes effective on January 1, 2018. While the new law covers only employees in non-exempt, overtime eligible jobs, most of the changes address employee feedback and all changes will apply to all non-represented benefits eligible employees. The changes will:

- remove current restrictions that employees must use two days of Paid Time Off (PTO) leave before accessing their EI/Sick Leave hours,
- remove limitations on when EI/Sick Leave can be used so that employees can access this leave for any health related reason,
- broaden the definition of family member so that employees can use their EI/Sick Leave to care for family members as defined by the new state law,
- change how EI/Sick Leave is accrued and increase the accrued hours so that employees earn Sick Leave on all hours paid, including overtime, and a full-time employee paid for

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2080 hours will earn seven days of Sick Leave per year rather than the current six days, and

- add a provision that will reinstate the portion of Sick Leave that is not cashed out when an employee leaves the Port and they return to work within one year.

The sick leave plan will also include a new version of the plan that will cover non-represented employees who are not eligible for the Port’s full benefits plan. This version of sick leave will provide paid sick leave equal to the requirements of the new Washington paid sick leave law and provide:

- one hour of sick leave for every 40 hours worked,
- access to earned sick leave after 90 days of employment,
- carry over of up to 40 hours from one year to the next,
- reinstatement of balances up to 40 hours if an employee returns to work at the Port within one year of when they left, and
- when an employee earning sick leave under the minimum plan moves to a regular job and becomes eligible for the regular PTO/Sick Leave plan their minimum plan balance will transfer to their Sick Leave plan and they will be able to access it as soon as they have worked a total of 30 days for the Port.

While these EI/Sick Leave plan changes are specific to non-represented employees, Labor Relations staff is evaluating the leave plans included in current collective bargaining agreements and will be working with union representatives to make any changes necessary to ensure the Port’s plans for represented employees comply with the new Washington paid sick leave law.

Finally, In the Retirement section (III.B.2) we will be adding a section to authorize Port contributions in lieu of, and equal to, LEOFF employer contributions to an alternative plan for Police Department non-represented management staff working in LEOFF eligible positions who are precluded, because of previous employment and Washington State Retirement Plan membership as stated in RCW 41.04.270, from joining LEOFF. There will also be language in the Resolution authorizing contributions previously made to this ‘in lieu of’ plan as this plan was implemented prior to being authorized by the Port Commission through the Salary and Benefits Resolution.

Other Adjustments

In section I, Definitions, the definition of at-will will be modified slightly to specify that jobs designated in the Exhibit to the Resolution are at-will while employees hired or appointed to these jobs prior to January 1, 2014, are grandfathered as ‘for cause’ employees.

In the Benefits Offered to Port of Seattle Commissioners the eligibility for retiree life insurance is being updated to correctly align with provisions in the Port’s life insurance contract.

There will be other small recommended changes to the new Resolution. These will include adjusting language in Section II.E.2 (Payroll) to change the reference from the RCW to the

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Washington State Constitution as the source of the Port’s right and obligation to recover any payroll amounts paid in error as well as minor wording or punctuation changes that will clarify existing sections of the resolution.

Section VII, Effective Date, will state that the new resolution will be effective January 1, 2018, and there will be no end date to the resolution. Updates, such as range adjustments and benefits changes, will be approved by the commission with a new resolution amending the Salary and Benefits Resolution.

Cost

There is minimal cost associated with recommended changes to the Salary and Benefits Resolution. Costs fall in two areas: those associated with the range adjustment and those associated with the sick leave changes.

Based on current data, the cost of adjusting the pay ranges will be less than \$30,000. The cost associated with the new version of the sick plan for employees not eligible for the full benefits package will depend on how much of the new accrued time is used by employees and it will be less than \$35,000. Our best estimate of the financial impact of the recommended EI/Sick Leave changes is a cost savings of up to \$200,000 based on potential changes in how employees use these benefits and how this may impact the value of Port-wide PTO and Sick Leave balances.

ATTACHMENTS TO THIS BRIEFING

- (1) Presentation slides

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

None