



AGENDA MEMORANDUM

Item No.

6b

ACTION ITEM

Date of Meeting

November 14, 2017

DATE: November 2, 2017
TO: Dave Soike, Interim Executive Director
FROM: Paula Edelstein, Sr. Director, Human Resources
Tammy Woodard, HR Director – Total Rewards
SUBJECT: Salary and Benefits Resolution

ACTION REQUESTED

Request first reading of Resolution No. 3739: 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, 2018, and Repealing all Prior Resolutions Dealing with the Same Subject, Including Resolution No. 3727 as amended by Resolution No. 3734.

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 employees. Proposed changes to the Salary and Benefits Resolution for 2018 include incorporating Resolution No. 3734, an adjustment to the 2018 non-represented pay ranges, several changes to the benefits package, and several other minor changes.

Following this presentation and engagement with the Commission, staff will return to request second reading, and final passage, of Resolution No. 3739, the Salary and Benefits 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. 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

Meeting Date: November 14, 2017

support the attraction and retention of employees with the talents and abilities necessary for the Port to achieve its mission, vision and objectives.

DETAILS

Recommended changes to the Salary and Benefits Resolution are as follows:

Incorporation of Resolution No. 3734

Consistent with Resolution No. 3734, the new Salary and Benefits Resolution replaces all references to the Chief Executive Officer, and CEO, with Executive Director. The new resolution also includes the addition of 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.

Adjustment to Pay Grades and Ranges for 2018

As in previous years, Human Resources staff analyzed data from published salary surveys to determine how well our existing pay ranges align with market pay rates. We also review data from salary planning surveys to determine what adjustments other employers anticipate making to employee pay during the coming year. Results of this work informed recommended adjustments to the 2018 pay grade and range structure for non-represented employees.

Our analysis indicated that the Port's current pay ranges for non-represented employees are a little below market. Additionally, employers are expecting that the overall average pay increase will be about 3% for 2018. Based on this analysis, we are recommending a 3% salary range adjustment to ensure that we maintain pay ranges at market competitive levels for 2018. With this range increase, we estimate that fewer than 30 employees will have pay rates that are less than their 2018 range minimum and the estimated annual cost of increasing these employees' pay to their new range minimum will be less than \$30,000.

In addition to an adjustment to the pay ranges, the recommended 2018 structure eliminates grades 3 through 6. This is a follow-up to modifications made for this year when we eliminated grades 1 and 2 in order to address the increasing City of Seattle minimum wage and the Port's High School Intern pay rate, both of which were higher than the minimums of the grade 1 and 2 pay ranges.

In 2018 the City of Seattle minimum wage will be \$15.00/hour and the Port's High School Intern rate will be \$15.75/hour. Grades 3 through 6 would have minimum pay rates that are less than \$15.00/hour in 2018. There are two employees assigned to jobs in these grades. These jobs will be reassigned to grade 7, which will have a range minimum greater than \$15.00/hour. The employees whose jobs will be reassigned are currently paid within the 2018 grade 7 pay 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

Meeting Date: November 14, 2017

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 includes several recommended changes to the Benefits section of the Resolution.

In the Paid Leave section (III.B.1.b), Extended Illness (EI) Leave is renamed Sick Leave. Administrative details of this plan will be updated in the Port Leave Policy, HR-5. 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 the current restriction 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 members 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 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 returns within 12 months.

The sick leave plan also includes 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 earned for every 40 hours worked,
- access to earned sick leave after 90 days of employment,
- carry over of up to 40 hours of earned sick leave from one year to the next,
- reinstatement of sick leave balances if an employee returns to work at the Port within 12 months of when they left, and

Meeting Date: November 14, 2017

- when an employee earning sick leave under the required plan moves to a regular job and becomes eligible for the regular PTO/Sick Leave plan their required 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, our Labor Relations staff is evaluating the leave plans included in current collective bargaining agreements and is 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.

In Benefits Programs Offered to Employees section (III.B.2.a.2.), language is returned 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. 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.

Finally, In the Retirement section (III.B.2) of the Resolution there is a new section authorizing 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 from joining LEOFF because of previous employment and Washington State Retirement Plan membership as stated in RCW 41.04.270. There is also 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 of the Resolution, Definitions, the definition of at-will is modified slightly to specify that the 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 section, the eligibility for retiree life insurance language is updated to correctly align with provisions in the Port's life insurance contract.

There are other minor recommended changes included in the new Resolution. These include adjusting language in section II.E.2 (Payroll) to change the reference from the RCW to the 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 clarify existing sections of the resolution.

Meeting Date: November 14, 2017

Finally, section VII, Effective Date, states 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 plan changes, will be approved by the commission with a new resolution amending the Salary and Benefits Resolution.

Cost

There is minimal cost associated with the 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 leave plan for employees not eligible for the full benefits package will depend on how much of the new earned time is used by employees and we expect that 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 the change in leave benefits usage may then impact the value of employees' total PTO and Sick Leave balances.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Resolution No. 3739
- (2) Draft Resolution No. 3739 Exhibit A
- (3) Draft Resolution No. 3739, Red Line
- (4) Presentation slides
- (5) Summary of Changes from 2017 Salary and Benefits Resolution

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 24, 2017 – The Commission was briefed on Salary and Benefits Resolution No. 3739