

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA – STAFF BRIEFING

Item No.	<u>7d</u>
Date of Meeting	<u>June 28, 2011</u>

DATE: June 21, 2011

TO: Tay Yoshitani, Chief Executive Officer

FROM: Tammy Woodard, Sr. Manager, Total Compensation

SUBJECT: Briefing – Total Rewards Philosophy

SYNOPSIS:

Total rewards encompasses what the Port offers to employees in exchange for their contributions to the Port's success. Articulating the Port's total rewards philosophy and developing a model to visually represent the varied elements of the total rewards package will be beneficial to the Port and to Port employees. This work builds upon, and expands, the current total compensation focus to include other elements of the package offered to employees, tangible and intangible, beyond pay and traditional benefits. A Total Rewards Philosophy will provide a comprehensive and unified framework for communicating the package to current and future employees, as well as a basis for making future decisions about the programs that comprise the total rewards package.

INTRODUCTION:

Total rewards, at its broadest level, includes everything employees value that results from their employee/employer relationship. Total rewards includes pay, health care, pension, learning and development programs, availability of interesting work, the opportunity for public service, and much more. Total rewards are a key element in attracting, retaining, and motivating employees to contribute to their employer's mission, goals, and business objectives. As organizations are unique, each organization that articulates its Total Rewards Philosophy defines total rewards in a way that is specific to that organization. Similarly, total rewards models are unique to each organization. Port staff has begun the process of defining a Total Rewards Philosophy and creating a Total Rewards Model for the Port. This philosophy and model will lead to various strategies that will guide Port staff in managing the various programs that comprise the Port's Total Rewards Program.

In past years, Port staff have had various discussions with Port Commissioners in public sessions related to employee compensation and benefits, including last year's discussions about payroll-related costs during budget discussions, discussions about collective bargaining agreements, and discussions related to salary and benefit resolutions. These discussions relate to the Port's total rewards package although an overall total rewards framework for these discussions has not been in place. Going forward, a total rewards philosophy will guide strategic planning efforts around

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creating and sustaining a high performance workforce and will support broader strategic planning efforts such as the Century Agenda.

ADVANTAGES OF A TOTAL REWARDS PHILOSOPHY:

Most organizations have a total rewards philosophy, even if it has not been purposefully developed or communicated and is not consistently applied. A purposefully developed total rewards philosophy that is broad enough to apply to all employee groups and flexible enough to guide decisions through all economic conditions has multiple advantages. One major advantage of an articulated Total Rewards Philosophy is a strategic and holistic method of attracting, retaining, and motivating the employees the Port will need – now and in the future – to accomplish the organization’s strategic goals. A Total Rewards Philosophy will also provide a consistent framework for managing total rewards programs and making programmatic decisions. In addition, a total rewards philosophy can lead to explicit principles for rewarding employees that will be beneficial in many areas from audits, to managing pay and benefit programs, negotiating collective bargaining agreements, and developing internal and external communications.

MODELING TOTAL REWARDS:

The programs that comprise total rewards packages vary from one organization to another as their philosophies vary. The foundation of a total rewards model is often an organization’s mission, business strategy, and people strategy. The ways employers choose to bundle and communicate total rewards to their employees is also unique to each organization. A total rewards model visually represents the elements of the total rewards package, the foundation for the package, and how the package benefits the employees and organization.

The model the total rewards team is developing is based on the Port mission, values and culture, business strategies, and people strategies. The model also has five categories: Pay, Benefits, Learning and Development, Recognition, and Other. Current total rewards programs can be grouped into these categories. The items that comprise the categories lead to employee attraction, retention, and motivation, as well as employee engagement and performance, and attainment of business results.

DEVELOPING A TOTAL REWARDS PHILOSOPHY:

A model of current total rewards is a part of the background and data gathering that the total rewards team is undertaking. This data will be combined with information from Port leaders about the work the Port will be performing into the future, and how reward programs will need to inspire and engage employees to accomplish the Port’s future work. The total rewards team will use this data to create a total rewards philosophy to review with Port leaders.

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NEXT STEPS:

Once the total rewards philosophy is developed, the team will assess the model of current total rewards against the philosophy to identify areas where the current model does not align with the philosophy. These gaps will be the basis for strategies to bring total rewards programs into alignment with the philosophy. Depending on the outcome of the gap analysis, some total rewards programs may need to be modified, some may not align with the philosophy and need to be replaced, and others may need to be added.

Depending on the number and size of the gaps between the total rewards philosophy and the current model, it will likely take three to five years to bring all total rewards programs into alignment with Philosophy.

The total rewards team will provide future briefings to the Commission as this work progresses.

CONCLUSION:

Articulating and communicating a total rewards philosophy will provide a holistic framework for updates, changes, additions, and potentially replacements to current total rewards offerings. With a total rewards philosophy in place, related programs can be consistently managed while strategically addressing appropriate variations. A total rewards philosophy will assist the Port in communicating the entire total rewards package in a manner that leverages the breadth and value of the package as well as the investment in the package, and the philosophy will help facilitate recruiting and retaining the right people to perform the work necessary for the Port to achieve its mission.

OTHER DOCUMENTS ASSOCIATED WITH THIS BRIEFING:

PowerPoint presentation.

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

None.