

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA

ACTION ITEM

Item No. 6g

Date of Meeting June 5, 2012

DATE: May 30, 2012

TO: Tay Yoshitani, Chief Executive Officer

FROM: Lisa Hornfeck, Labor Relations Manager

SUBJECT: Memorandum of Understanding between the Port of Seattle and the International Brotherhood of Electrical Workers, Local Union No. 46 representing Electronic Technicians

Total Additional Cost to the Port: \$57,867

Source of Funds: Airport Development Fund

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute a Memorandum of Understanding (MOU) memorializing the pension rehabilitation plan agreement between the Port of Seattle and the International Brotherhood of Electrical Workers (IBEW), Local Union No. 46 representing Electronic Technicians effective upon execution, and retroactive to December 1, 2011, through May 31, 2014. The total overall additional cost to the Port for the term of this MOU is \$57,867 covering all employees.

SYNOPSIS:

This agreement covers forty-nine employees in the Electronic Technicians bargaining unit in the Aviation Maintenance Shop for the period December 1, 2011, through May 31, 2014. The group's supplemental pension, the IBEW Pacific Coast Pension Fund, is in critical funding status. The pensions' funding status is due to the economic downturn and stock market crash in 2008 that led to a reduction in the fund's portfolio of 30% and to reduced funds coming into the fund while liability has been increasing. The parties were to meet and designate one of three optional rehabilitation plans, Schedule 1, 2 or the Default Schedule by December 1, 2011.

The Port received late notice of the Rehabilitation Plan, and the parties did not begin negotiating until January 2012. The parties reached a negotiated agreement to adopt Schedule 2 of the rehabilitation plan and to share additional costs. Under this agreement, the employees will receive some reduced benefits and will pay an estimated \$64,000. The adoption of Schedule 2 will be retroactive to December 1, 2011. The employees agreed to a thirty cent (\$0.30) wage

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deferral to begin June 1, 2012. The total additional estimated cost to the Port for the duration of the agreement is \$57,867. The cost estimate is based on forty-nine current employees and four additional FTE in 2013.

BACKGROUND:

The current Collective Bargaining Agreement between the Port and the Electronic Electricians represented by Local No. 46, establishes that the Port pay fifty cents (\$0.50) into a supplemental pension, the IBEW Pacific Coast Pension fund, for each hour compensated. The IBEW Pacific Coast Pension Fund is in critical status because of funding problems. In accordance with The Pension Protection Act of 2006, the Pension Fund actuary has developed a Rehabilitation Plan intended to enable the plan to cease being in critical status by the end of the rehabilitation period (April 1, 2023). The rehabilitation plan contains three Rehabilitation Plan Schedules for the parties to choose the one that fits their needs. The Rehabilitation Plan Update dated August 2011 is incorporated by reference, and attached.

The Port is legally responsible to participate in one of the Rehabilitation Plans, or face withdrawal liability. After review of all options, and through good faith negotiations with the Union, the parties agreed to adopt Schedule 2, one of the three plans, and share the additional costs. At the end of the current bargaining agreement the parties may negotiate a different plan or based on the state of the pension plan and rehabilitation efforts, consider withdrawing. The additional costs contained in the MOU are only for the duration of this collective bargaining agreement. Additional costs under the Rehabilitation Plan will be reviewed and negotiated when the current collective bargaining agreement expires, May 2014.

PROJECT JUSTIFICATION:

The Port is legally bound by The Pension Protection Act to participate in a rehabilitation plan or face withdrawal liability.

SCOPE OF THE AGREEMENT:

The Port agrees to pay the increased hourly contribution cost of Schedule 2 beginning December 1, 2011, and then the Port and the Union will share the increased hourly contribution costs on June 1, 2012. As of June 1, 2012, the Union agrees to an hourly wage deferral of thirty cents (\$0.30) to cover the employee portion of the increased hourly pension contribution for the duration of the MOU.

FINANCIAL IMPLICATIONS:

The total overall additional cost to the Port for the duration of the MOU is estimated at \$57,867 covering all employees. The estimated total overall cost to the employees for the duration of the

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MOU is estimated \$64,000. This cost is in addition to the Port's cost, estimated \$132,351, under the current collective bargaining agreement during the same time period.

Budget Status and Source of Funds

The increase in expense will be paid from the Airport Development Fund.

OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:

- Memorandum of Understanding between the Port of Seattle and the International Brotherhood of Electrical Workers, Local Union No. 46 representing Electronic Technicians
- IBEW Pacific Coast Pension Fund Rehabilitation Plan

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- None.