

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
STAFF BRIEFING

Item No. 7b
Date of Meeting October 27, 2015

DATE: October 19, 2015
TO: Ted Fick, Chief Executive Officer
FROM: Tammy Woodard, Assistant Human Resources Director – Total Rewards
Paula Edelstein, Senior Human Resources Director
SUBJECT: Commission Briefing – 2016 Salary and Benefits Resolution

SYNOPSIS

The Port Commission is authorized by RCW 53.08.170 to create and fill positions, establish wages and salaries and establish benefits for Port of Seattle employees by resolution. The Salary and Benefits Resolution is where these aspects of the Total Rewards package offered to non-represented employees are authorized. The Resolution also delegates authority from the Commission to the Chief Executive Officer to oversee administration of the pay and benefits programs authorized by the resolution.

Over the years the Salary and Benefits Resolution has come to include very detailed descriptions, not only of pay and benefits programs authorized through the resolution but also specific administrative aspects of the authorized programs. The Resolution has become a very long, complex, difficult to use document. For 2016 we will be proposing a streamlined and simplified Salary and Benefits Resolution that focuses on authorizing pay and benefits programs as well as creation and filling of positions. The program and administrative details will be moved from the resolution to appropriate Port policy or program guideline documents.

The 2016 Salary and Benefits Resolution will continue to include the structure of non-represented pay ranges and we will be recommending a 2.0% increase to the ranges based on an analysis of market data and market projections. We estimate this adjustment will impact up to two employees and have a maximum 2016 cost of \$3000.

BACKGROUND

What is the Salary and Benefits Resolution?

The Salary and Benefits Resolution is where the Port Commission fulfills its responsibility, per RCW 53.08.170, to authorize pay and benefit programs for the Port's non-represented employees. These programs are major components of the Total Rewards package offered to non-represented employees; a vital tool for retaining, engaging and attracting skilled employees committed to helping the Port achieve its mission, business

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 19, 2015

Page 2 of 6

goals and objectives. The resolution covers approximately 920 employees, or 55% of the Port's workforce.

What does the Salary and Benefits Resolution Cover?

The Salary and Benefits Resolution authorizes the Port to offer medical and dental coverage as well as time off, retirement and other benefits to Port employees not covered by a collective bargaining agreement. The resolution also affirms that the Port will offer required benefits like Social Security, Worker's Compensation, and Military Leave.

The resolution also authorizes the structure of pay grades and ranges for non-represented employees as well as the job evaluation system used to determine appropriate pay grades and ranges for non-represented jobs. The Salary and Benefits Resolution authorizes the base pay increase program used to award increases to non-represented employees, establishes the Port's standard work week and specifies the Port's pay period.

In addition, the resolution authorizes creation and filling of positions, guidelines for employees' initial pay rates, and delegates authority in specific situations to the Chief Executive Officer and/or the Senior Director, Human Resources for approving pay, with appropriate documentation, that is beyond the guidelines contained in the resolution.

The Salary and Benefits Resolution also authorizes, and provides details, on benefits offered to Port Commissioners and retired Port of Seattle employees. Since the Port policies addressing pay and benefits are focused on pay and benefits for active employees we feel it is appropriate to maintain the details of these benefits in the Salary and Benefits Resolution.

What are the benefits to a streamlined and simplified Salary and Benefits Resolution?

Over the years the Salary and Benefits resolution has grown into a long, complex and highly detailed document that not only specifies what the Commission authorizes but also contains extensive details related to administering some of the authorized programs. In addition, as programs have been added, or deleted, and content changed to clarify content of the resolution it has lost its flow and sense of continuity.

Consistent with a focus on ensuring that the resolution is aligned with the Commission's role specified in RCW 53.08.170 and the Port goal of becoming less rules-based by communicating clear guidelines within which Port staff can exercise some flexibility in fulfilling their work responsibilities, we are proposing a streamlined and simplified Salary and Benefits Resolution that will clearly state what pay, benefits and related programs the Commission authorizes while details of these programs will be included in Port policy or program guideline documents. We believe this will continue to provide necessary structure to pay and benefits programs to ensure consistent and fair application

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 19, 2015

Page 3 of 6

of the programs and policies, and also enable flexibility when doing so is beneficial to the Port.

Many details contained in the Salary and Benefits Resolution are also included in Port policies. This creates redundant work to keep these details aligned. In addition, details included in the resolution can only be updated by amending the resolution. This means, for example, that if Human Resources (HR) staff determines mid-year that the rate specified in the Salary and Benefits Resolution for ICT standby pay needs to be adjusted, either the resolution must be amended or the rate needs to remain as it is until the next regular resolution update process. Removing this level of detail from the resolution will permit more frequent changes to the administrative details of the programs authorized by the resolution. Also, needed changes can occur throughout the year and the Port can more quickly respond if updates or changes are needed.

What aspects of the 2016 Salary and Benefits Resolution will be unchanged?

The Salary and Benefits Resolution will continue to be the Commission's authorization of pay and benefits programs. It will continue to delegate authority to the CEO to administer these programs, and it will continue to delegate to the CEO authority to recruit for and fill authorized positions. The resolution will continue to include the Commission's authorization for the pay grades and associated pay ranges for non-represented jobs as well as the process used to establish appropriate pay grades and ranges for each non-represented job. In addition, the resolution will continue to establish the Port's standard work week and specify benefits offered to retired Port of Seattle employees as well as Port Commissioners.

What are the proposed changes to the 2016 Salary and Benefits Resolution?

Proposed changes to the Salary and Benefits Resolution for 2016 fall into two categories:

- Changes to streamline and simplify the Resolution, and
- Program changes.

The streamlining and simplification changes include moving details about the programs authorized in the resolution out of the Resolution and into Port policy or guideline documents. These details include:

- The amount of ICT standby pay,
- How pay is administered when daylight savings time takes effect,
- What to consider when determining promotional increases,
- Descriptions of required benefits like Social Security or Unemployment, and
- The dates the Port will observe designated holidays.

As part of the streamlining changes the Salary and Benefits Resolution will include brief descriptions of the pay and benefits programs authorized by the Commission in the resolution. A noticeable change will be a reorganization of the document to group

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 19, 2015

Page 4 of 6

similar authorized programs together. We are proposing a 2016 resolution that will have sections for pay programs, benefit programs offered to employees, benefit programs offered to retired Port employees, and benefit programs offered to Port Commissioners. This will make finding information about the authorized programs easier to locate.

In addition to the changes designed to simplify and streamline the Resolution, we are proposing some program changes for 2016. These include:

- Adjusting the salary ranges by 2%,
- Adding a Paid Parental Leave program,
- Adding a lump sum performance pay program,
- Updating the Port's standard workweek, and
- Updating the section addressing medical and dental premiums for Commissioners to ensure alignment with Affordable Care Act (ACA).

Ranges – HR's analysis of market data for non-represented jobs as well as the analysis of projected 2016 base pay increases indicates that the current pay range structure is at market and that pay in the local labor market is expected to increase approximately 3.2% in 2016. To maintain our pay ranges at a market competitive level we are recommending a conservative 2.0% increase to the ranges for 2016. We anticipate no more than two employees will need to have their pay adjusted to the new range minimum and that the 2016 cost of these adjustments will be less than \$3000.

Paid Parental Leave – This is a new paid leave program that will be added to the current paid leave package. This program, consistent with the motion adopted by the Commission on October 13, 2015, will provide four consecutive weeks of paid leave to non-represented Port employees during the 12 months following the birth, adoption, or placement for foster care of a new child. This benefit will be available to men and women and will be in addition to currently available Paid Time Off (PTO) and Extended Illness (EI) benefits. We estimate approximately 32 employees will be eligible for this benefit in 2016 with an approximate cost of \$250,000.

Performance Pay – This is a new component of the existing pay program for non-represented employees and will be in addition to the performance based base pay increase program in place today. The new program will provide a lump sum payment to eligible non-represented employees based on a combination of their individual performance and the Port's achievement of financial and non-financial goals. The program will be funded from positive budget variances based on non-aeronautical revenue that exceeds budget and total Port expenses that are under budget. Half of this variance will fund a pool to pay the lump sum performance awards.

The pool must be sufficient to pay minimum level performance pay plan payouts. In addition, funding the pool will only result in half the possible payout being earned. To earn the remaining half of the payout the Port will need to meet or exceed two non-

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 19, 2015

Page 5 of 6

financial targets identified and communicated before the beginning of the year. These non-financial targets will each be worth 25% of the possible payout.

Employee performance ratings, based on their performance reviews, will determine what portion of the lump sum award pool each employee earns; the higher the rating, the higher the award. A new performance review program will be introduced in 2016 to support administration of the lump sum performance pay program. This new performance review program will have five possible performance ratings. No lump sum performance award will be paid if a performance rating is at the first (lowest) level.

It is important to note that if the Port's financial performance is not sufficient to fund the minimum level payout, no lump sum performance pay awards will be made. Even if both non-financial targets are met there will be no awards paid as the payout pool has not been sufficiently funded.

Standard Workweek – The 2016 Salary and Benefits Resolution will include a change to the Port's standard workweek. Currently, full-time non-union employees work either 37.5 or 40 hours per week depending on their work location. Beginning with the first pay period in 2016 all full-time non-union employees will have a 40 hour workweek. This change will result in administrative efficiencies when employees move around the organization by eliminating the need to convert hours and, in some cases, pay for employees going to new jobs at the Port.

Updated Medical and Dental Premiums for Commissioners – The Salary and Benefits Resolution currently includes an option for Commissioners who obtain medical or dental coverage from a source other than the Port to receive reimbursement from the Port for any premiums paid. We reviewed this provision with our benefits consultant as well as our Legal department and the legal opinion is that this option may not comply with the ACA and may also result in unfavorable tax implications. As a result, we are recommending that this option be eliminated from the resolution.

Commission Notification – We are planning to add one more item to the 2016 Salary and Benefits Resolution. Since the details associated with some of the authorized pay and benefits programs are moving out of the resolution we are planning to add a provision stating that the Commission will be notified of any material changes in the administrative details of the programs authorized in the resolution.

CONCLUSION

In conclusion, many of the proposed changes to the 2016 Salary and Benefits Resolution are designed to streamline and simplify the document. The resolution will continue to be the manner in which the Commission authorizes pay and benefits programs for non-represented employees and delegates authority for the administration of these programs.

COMMISSION AGENDA

Ted Fick, Chief Executive Officer

October 19, 2015

Page 6 of 6

The resolution will continue to include the pay grade and range structure for non-represented employees.

ATTACHMENTS TO THIS BRIEFING

- PowerPoint presentation.
- Paid Parental Leave Motion

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

- None