

ITEM NO:	6c_supp
MEETING DATE:	November 10, 2015

2016 Salary and Benefits Resolution

First Reading

Topics

- Resolution Background
- Resolution Changes for 2016
 - Standard Work, Non-represented range structure
 - New Performance Pay plan
 - New Parental Leave plan
- Update – Pay Equity Review
- Performance Pay plan non-financial goals

Topics to be covered

Background

- RCW 53.08.170 specifies Commission must authorize pay and benefits
- Resolution has become lengthy and complex
- Resolution includes program authorization as well as considerable program detail
- 2016 Resolution is streamlined and simplified

Resolution has become a long and detailed document

Recommended Changes for 2016

- Preamble
 - Adding a reference to RCW 53.08.170
- Section I - Definitions
 - Editing definitions to remove details found in Port policies or program guides
- Section II – Jobs and Pay
 - Reorganized for a more logical flow
 - Updating standard workweek to 40 hours
 - Increasing pay ranges by 2%

Focus on authorizing Total Rewards programs

Recommended Changes for 2016

- Section III – Performance Pay
 - New Section
 - Authorizes a new annual lump sum Performance Pay plan
 - Self-funding plan
 - Rewards Port performance, financial and non-financial
 - Employee performance ratings inform individual performance awards

Performance Pay reinforces Paying for Performance

Performance Pay – Business Case

- A Performance Pay program
 - Is consistent with high performance, results oriented organization
 - Will help the Port compete with private sector employers for talent
 - Supports employee retention
 - Connects employees to Port goals
 - Sets us apart from other Public Sector agencies we compete with for talent

Performance Pay makes good business sense

Performance Pay – Market Competitive

2015 Performance Pay Plans	
Industry	% of Employers Offering
Public Sector	42%
Public & Private Sector Transportation	94%
All Industry	93%

Source: Aon Hewitt

- National Payout Averages
 - All Industry = 19.4%
 - Public/Private Sector Transportation Industry = 18.2%
 - Public Administration = 7.7%
- Performance Based Pay Plan offered by 38.5% of responding airports (ACI survey)

Performance Pay is a market competitive practice

Performance Pay – Funding

- 50% Financial performance

The net positive variance, if any, of:

Port-wide non-aeronautical revenue (total Port revenue excluding aeronautical) vs. budget

+ total Port expense vs. budget

X 50%

= Payout Pool

- 50% Non-financial performance

2 goals, each worth 25%, paid only if Payout Pool meets minimum threshold

Financial and Non-Financial Goals = Balanced Approach

Performance Pay – Funding Example

Goal Met = Pool Sufficient for Minimum Payout			
	2016 Budget	2016 Actual*	Variance
Non-Aeronautical Revenue	\$325.6m	\$335.6m	\$10.0m
Total Port Expense	\$335.4m	\$325.4m	<u>\$10.0m</u>
Total Variance			\$20.0m
x 50% to the Payout Pool			\$10.0m

* Actual is an example only

Goal Met	Portion Payout Funded	Payout Pool
Financial	50%	\$5.0M
Non-Financial #1	25%	\$2.5M
Non-Financial #2	25%	\$2.5M
Total Payout	100%	\$10.0M

Positive budget variance funds pool, multiple goals determine payout

Performance Pay - Payouts

- Based on employees performance review rating

Performance Rating	Payout Factor	Example #1 Minimum Payout	Example #2	Example #3
1	No Payout	0%	0%	0%
2	1 X Payout	1%	3%	5%
3	2 X Payout	2%	6%	10%
4	3 X Payout	3%	9%	15%
5	4 X Payout	4%	12%	20%
Average Payout		2.35%	7.05%	11.75%
Cost to Fund		\$2.242M	\$6.727M	\$11.212M
Positive Variance Needed		\$4.484M	\$13.454M	\$22.424M

Individual payouts vary by employee performance

Recommended Changes for 2016

- Section IV – Employee Benefits
 - Reorganized for better flow
 - Eligibility and other administrative details moved to policy or program guide documents
 - Adding new Paid Parental Leave program
 - 4 weeks of paid leave during the first 12 months after birth, adoption or foster care placement of a new child
 - Mothers and fathers are eligible

New Paid Parental Leave program added

Recommended Changes for 2016

- Section V – Benefits for Retirees
 - Section is reorganized for a better flow
 - Adding free airport parking for retirees
- Section VI – Benefits for Commissioners
 - Section is reorganized for a better flow
 - Reimbursement of healthcare premiums paid to another entity removed due to possible ACA and tax implications

Sections reorganized for easier use

Recommended Changes for 2016

- Section VII – Notification
 - Adding a commitment to notify the Commission in advance of material changes to administrative details of programs authorized in the Resolution

Advance Commission notification added

Pay Equity

- Pay programs for non-represented employees designed to provide fair and equitable pay
- An Office of Federal Contract Compliance Programs audit in 2011 showed no evidence of gender pay discrimination
- High level internal analysis in August 2015 showed no pattern of discrimination
- In the past 5 years no employee complaints based on gender pay equity
- Thorough gender pay equity analysis scheduled for first quarter 2016

Pay equity an important component of pay programs

Conclusion

- Salary and Benefits Resolution changes fall into 2 categories
 - Streamlining and simplifying
 - Changes to programs or plans authorized
- Sections are reorganized to be easier to use
- Added, deleted or changed programs are consistent with the Port's Total Rewards Philosophy and pay for performance focus

Updated programs and easier to use Resolution

Performance Pay Non-Financial Goals

- **Environment/Energy:** Create and adopt a Port-wide strategy to move all operations toward an energy portfolio that reduces GHG emission by X% per year, and helps meet future load growth through conservation and renewable energy sources.
- **Social Responsibility:** Increase Small Business contracting participation across the Port to 35%.
- **Social Responsibility/Economic Development:** Increase employment and training opportunities related to middle class jobs by increasing internship positions by 50% over 2015.

DISCUSSION DRAFT



Performance Pay Non-Financial Goals

- **Social Responsibility/Economic Development:** Ensure success of the Port's newly established Small Business Incubator/Accelerator Program by developing an action plan for incorporating each division in the ongoing execution of the program.
- **Safety:** Achieve excellence in safety and further reduce workforce injuries by achieving a 95% or better score on the Annual Safety Evaluation.

DISCUSSION DRAFT

