



**COMMISSION  
AGENDA MEMORANDUM**

**Item No.** 9a

**BRIEFING MEMO**

**Date of Meeting** October 23, 2018

**DATE:** October 16, 2018

**TO:** Stephen P. Metruck, Executive Director

**FROM:** Kim DesMarais, Interim Sr. Director Human Resources  
Tammy Woodard, Director Human Resources – Total Rewards

**SUBJECT:** 2019 Salary and Benefits Resolution Program

**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 authorizes the various benefits that comprise the overall benefits package offered to non-represented Port employees. This briefing will highlight the recommended changes to the benefits package, an adjustment to the non-represented pay ranges for 2019, and recommended clarifications.

Following this presentation staff will return to request first reading of the Salary and Benefits Resolution on November 13, 2018, followed by second reading and final passage of the Resolution on November 27, 2018.

**JUSTIFICATION**

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 as well as the administrative details of these benefits. 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 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**

*Adjustments to Pay Grades and Ranges for 2019*

As in previous years, Human Resources staff examines available market data to determine how well current pay ranges compare to market and if the ranges need to be adjusted to ensure they remain competitive. The published salary surveys we utilize in this analysis have been

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arriving later than anticipated and we are still waiting for some key survey data that will inform how well our ranges compare to market and how much of an adjustment is needed. With the limited data currently available, we are estimating that the required adjustment will be between 3.0% and 3.5% to maintain market competitive pay ranges. Data will continue to become available over the next few weeks and we will incorporate new data into a specific recommendation for the first reading of the Resolution.

While not directly relevant to our pay range analysis, we survey local public employers in the Puget Sound area to determine what they are projecting for their range adjustments. The pay programs at most local public employers include cost-of-living increase for employees equal to their range adjustments. At the time of our survey this year, only five of the 16 employers that we surveyed were able to provide a projected 2019 increase amount and the average for these five employers is 3%.

While other local public employers provide cost of living increases to their employees, at the Port pay increases for non-represented employees are based on employee performance so adjustments to the pay ranges do not result in automatic pay increases. The only automatic pay adjustments for non-represented employees are to the new range minimum for employees whose pay is less than the new minimum. Based on current estimates we expect fewer than 40 employees will require adjustments to the new minimum of their pay range.

#### *Paid Leave Benefits*

In response to employee feedback from our 2016 benefits survey and focus groups in 2017 that the Port's time off benefits are not quite as good as many other employers offer, we reviewed general industry market data on Paid Leave and gathered information from local public employers on Holiday and Personal day benefits provided to employees. As a result of this research, and consistent with our Total Rewards Philosophy that we will provide a benefits package that is better than market, we are recommending adding a personal day to the paid leave benefits specified in section III.B.1., Paid Leave, of the Salary and Benefits Resolution. The personal day will be administered similar to holidays where the benefit is not accrued or carried over to the next year and must be used in the current year. The personal day will need to be taken as a full day off and cannot be split up and taken as multiple partial days off. Leave programs that do not incur organizational liabilities are an effective way to increase the value of our overall Total Rewards package, and adding one Personal Day will bring our holidays and leave days to a level consistent with market.

#### *Adjustments to Authorized Benefits*

There will be some wording changes to Section III, Benefits Offered to Employees, and Section V, Benefits Offered to Port of Seattle Commissioners, to specify that Healthcare benefits include medical, vision, pharmacy and dental benefits. This clarification will provide enhanced visibility

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to the different aspects of our health plans and provide flexibility in how we administer these benefits.

Following years of declining enrollment over the past five (5) years, no new retiree enrollments in the past three (3) years, and increasing costs, we will discontinue the **retiree medical** plans after the end of 2018. We have been communicating this to retirees for the past three (3) years, and have spent at least a year talking directly to enrolled retirees about how they might find coverage to meet their needs, possibly at lower costs, through other channels. As a result, sections IV.A. and IV.B., Medical Benefits for Retirees and Medical Benefits for Dependents of Retirees, will be deleted. Section V.B., Commissioner Retiree Medical Benefits, will also be deleted.

#### *Other Adjustments*

We will be making a change to Section II.A, Reporting Requirements for Certain Positions, to clarify the reporting relationship of the Internal Audit Director and specify that performance reviews will be prepared and conducted by the Executive Director.

We will also be making a slight change to the definition of the Probationary Period in Section I, Definitions. The change will specify that we consider the Probationary Period to be an extension of the hiring process.

#### **Commission Notification**

Pursuant to Section VI., Special Programs and Commission Notification, we are providing the following information regarding material changes to plans contained within the Salary and Benefits Resolution.

We are changing some administrative details of our healthcare plans based on feedback that we received from employees through surveys and focus groups. Employees expressed a desire for more choice in their health plan options. In response to this feedback we are making some changes to our vision and dental plans.

We will separate vision benefits from our medical plans and offer separate vision benefits that employees can elect separately from medical benefits. We will also offer an enhanced level of **vision benefits** that will provide a higher level of benefit to employees if they elect this plan. Employees who elect the enhanced vision plan will pay the additional cost of the plan. Employees who elect the basic vision plan will have vision benefits similar to what is provided within the current medical plan, though some out of pocket costs will be lower. If employees maintain their current medical plan and elect the basic vision plan they will notice only very minor differences in their payroll deductions for next year.

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Similar to the two vision plan choices, we are updating our **dental plan** to make an additional option available to employees. We are adding an enhanced plan option to the dental benefit plan. The change to the dental program is cost neutral to the Port and like the vision plan, employees who elect the enhanced plan will pay the additional cost of the plan through higher premiums.

We are also enhancing the **medical plans** by adding some infertility benefits including Artificial Insemination and Ovulation Induction. Adding these benefits will not increase costs for the Port or employees. We will confidentially monitor utilization of these enhanced benefits to determine if additional levels of infertility coverage may be warranted in the future.

We also want to bring visibility to the upcoming State mandated Paid Family and Medical Leave program. Benefits will become available through this program on January 1, 2020. This new program will provide partial pay (up to a maximum \$1,000 per week) to employees when they require time off for a serious medical condition, to care for a family member with a serious medical condition, when they welcome a new child to their family (parental leave), or for certain military situations. There will be a one week waiting period before benefits are available, and the program will provide benefits for up to 12 weeks (up to 18 in some pregnancy situations). The State program is funded through employee and employer contributions that total about 0.4% of payroll with employers paying about 34% and employees paying about 66% of the total premium. The Port contribution to the premium beginning in 2019 is estimated to be approximately \$270,000. Premium collection will begin January 1, 2019. Full details about this program are not yet available from the State.

Employers may opt out of the State administered plan by providing their own plan with benefits that are at least as good as the State plan. Employers who opt out do not pay premiums, either employer or employee portions, to the State. The State must approve an employer's application to opt out of the state plan and the application process includes a review of the requesting employer's proposed plan and policy. The Port is planning to apply to the State to opt out of the State plan. We anticipate that our plan will be approved and will become effective in 2020. We believe this will be an increased benefit to Port employees as they will not be responsible for contributing to a program that they may or may not have need for.

In the event our application to opt out is not approved before the end of this year, we will begin collecting premiums from employees and remitting them together with the Port's contributions to the State. If our application is not approved, we will attempt to resubmit our application. We will include details on either the Port's participation in the mandatory State program or our Port specific plan in lieu of the State program as part of next year's Salary and Benefits briefing.

### **COST**

There is minimal cost associated with recommended 2019 changes to the Salary and Benefits Resolution. Based on current data and the estimated range adjustment of 3.0% to 3.5%, the

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cost of adjusting the non-represented pay ranges will be approximately \$40,000. Other recommended changes to the Salary and Benefits Resolution will have no budget impact.

**ATTACHMENTS TO THIS REQUEST**

- (1) Presentation slides
- (2) Summary of Changes

**PREVIOUS COMMISSION ACTIONS OR BRIEFINGS**

None