



**COMMISSION
AGENDA MEMORANDUM**

Item No. 8b

ACTION ITEM

Date of Meeting November 13, 2018

DATE: November 5, 2018

TO: Stephen P. Metruck, Executive Director

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

SUBJECT: Resolution No. 3752, amending the Salary and Benefits Program for 2019

ACTION REQUESTED

Request introduction of Salary and Benefits Resolution No. 3752: A resolution of the Port of Seattle Commission amending the policy directive for salaries and benefits for employees not covered by a collective bargaining agreement established by Resolution No. 3739 and providing an effective date for all amendments of January 1, 2019.

EXECUTIVE SUMMARY

The Salary and Benefits Policy Directive establishes pay ranges for non-represented jobs and authorizes the various benefits that comprise the overall benefits package offered to non-represented Port employees. Resolution No. 3752 provides for recommended changes to the benefits package, an adjustment to the non-represented pay ranges for 2019, and recommended clarifications.

Following this presentation and subsequent vote on introduction, staff will return to request adoption of the resolution on November 27, 2018.

JUSTIFICATION

The Salary and Benefits Policy Directive specifies the pay and benefits programs authorized by the Port Commission, while administrative details of these programs are maintained in Port policies and supporting documents. The policy directive 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 policy directive 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.

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DETAILS

Recommended changes to the Salary and Benefits program in 2019 are as follows:

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. Results of this work informed recommended adjustments to the 2019 pay grade and range structure for non-represented employees.

Our analysis indicated that the Port's current pay ranges for non-represented employees are 2% below market. Additionally, employers in the Puget Sound area are expecting that the 2019 overall average pay increase will be about 3.2%. Based on this analysis, we are recommending a 3.5% salary range adjustment to ensure that we maintain pay ranges at market competitive levels for 2019. With this range increase, we estimate that approximately 40 employees will have pay rates that are less than their 2019 range minimum and require a pay adjustment to the new minimum of their pay range.

In 2019, the City of Seattle minimum wage will be \$16.00/hour for large employers (501 or more employees) and the Port's high school intern rate will be \$16.81/hour. With a 3.5% salary range adjustment for 2019, the Grade 7 pay range will have a minimum pay rate that is slightly less than the \$16.00/hour City of Seattle minimum wage; however, there are no non-represented employees earning less than the \$16.00 minimum wage. In 2019 HR staff will ensure that no employees are hired at pay rates less than the City of Seattle minimum wage and will review the jobs that are assigned to the Grade 7 pay range to ensure that those jobs are appropriately placed in the Port's grade structure. Staff will also determine how best to adjust the pay range in 2020 if the Port range minimum continues to be lower than the City of Seattle minimum wage.

Adjustments to Authorized Benefits

We are recommending adding a personal day off for employees to maintain a market competitive paid leave program.

There will be some wording changes to specify that healthcare benefits include medical, vision, pharmacy, and dental benefits. This clarification will provide enhanced visibility to the different aspects of our health plans and provide flexibility in how we administer these benefits. These wording changes affect Section 5.2, Policy Regarding Benefit Programs Offered to Employees, and Section 5.4, Policy Regarding Benefits Offered to Port of Seattle Commissioners.

Following declining enrollment over the past five years, no new retiree enrollments in the past three years, and increasing retiree premiums, we will discontinue the retiree medical plans after the end of 2018. Section 5.3(B) and (C) and Section 5.4(B)(1)(b), related to retiree medical plans, will be repealed.

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Other Adjustments

The Internal Audit Director reporting relationship will be updated to specify that performance reviews will be prepared and conducted by the Executive Director rather than the Chief Financial Officer.

We will also be making a slight change to the definition of the “probationary period” to specify that it is an extension of the hiring process.

Per direction from outside counsel, we will be updating the at-will definition to more clearly specify the process for indicating that a job is at-will when a job is posted and a job offer is made. The updated definition was received after the briefing on October 23rd so we were not able to include it at that time.

Other Information Not Included in Salary and Benefits Policy Directive

We also want to bring visibility to the upcoming State mandated Paid Family and Medical Leave program. Benefits through this program will become available 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 applied to the State to opt out of the State plan on October 31, 2018. We anticipate that our plan will be approved and will become effective in 2020. This means the Port will not have to pay employer, or collect employee, premiums for the State plan if our application is accepted by the end of this year. 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 not have need for.

In the event our application to opt out of the State plan is not approved before the end of this year, we will begin collecting premiums from employees and remitting them together with the

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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.

FINANCIAL IMPLICATIONS

There is minimal cost associated with recommended 2019 changes to the Salary and Benefits program. Based on current data, the cost of adjusting the non-represented pay ranges by 3.5% will be approximately \$42,000. Other recommended changes to the salary and benefits program will have no budget impact.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

There is no recommended alternative.

ATTACHMENTS TO THIS REQUEST

- (1) Draft Resolution No. 3752
- (2) Presentation slides
- (3) Summary of changes
- (4) Salary and Benefits Policy Directive Redline
- (5) Exhibit A

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS

October 23, 2018 – The Commission was briefed on the Salary and Benefits Program changes for 2019.