



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

Total Rewards Update

Presenters: Bruce Lawson, Managing Director, Gallagher
Lori Messer, Principal Consultant, Gallagher

Background

- Objective: Transition the Northwest Seaport Alliance (NWSA) and the Port of Tacoma's non-represented employees from a traditional salary and benefits compensation approach to a Total Rewards Program.
- Gallagher Benefit Services (GBS) was engaged by the Port of Tacoma and the Northwest Seaport Alliance (POT/NWSA) to:
 - Review current programs and policies in light of best practices.
 - Solicit input from managing members and non-represented employees.
 - Provide results of analyses and provide potential options to transition to Total Rewards.



Background

Four main area of focus:

1. Benefits

- Competitiveness of benefits offered

2. Compensation Study

- Review of all current non-represented job descriptions
- Review of current classification system

3. Performance Management Program

- Review Existing Program for alignment with organizational goals
- Options for salary increases

4. Leave Program Assessment

- Market Trends
- Traditional vacation/sick leave model vs. Paid Time Off (PTO)
- Review current leave options



Benefits Study

- Gallagher performed a comprehensive analysis of the POT/NWSA benefit programs against the market.
- The study findings revealed that the POT/NWSA benefit programs are positioned competitively within the market.
- No items identified for further consideration based on the data collected and subsequent analysis.



Compensation Study

- We reviewed all non-represented positions and calculated an overall midpoint of all combined salary ranges.
- We captured the 50th percentile of market actuals for each job and calculated the overall average.

Market Actual Salaries vs.
POTNWSA Range Midpoint

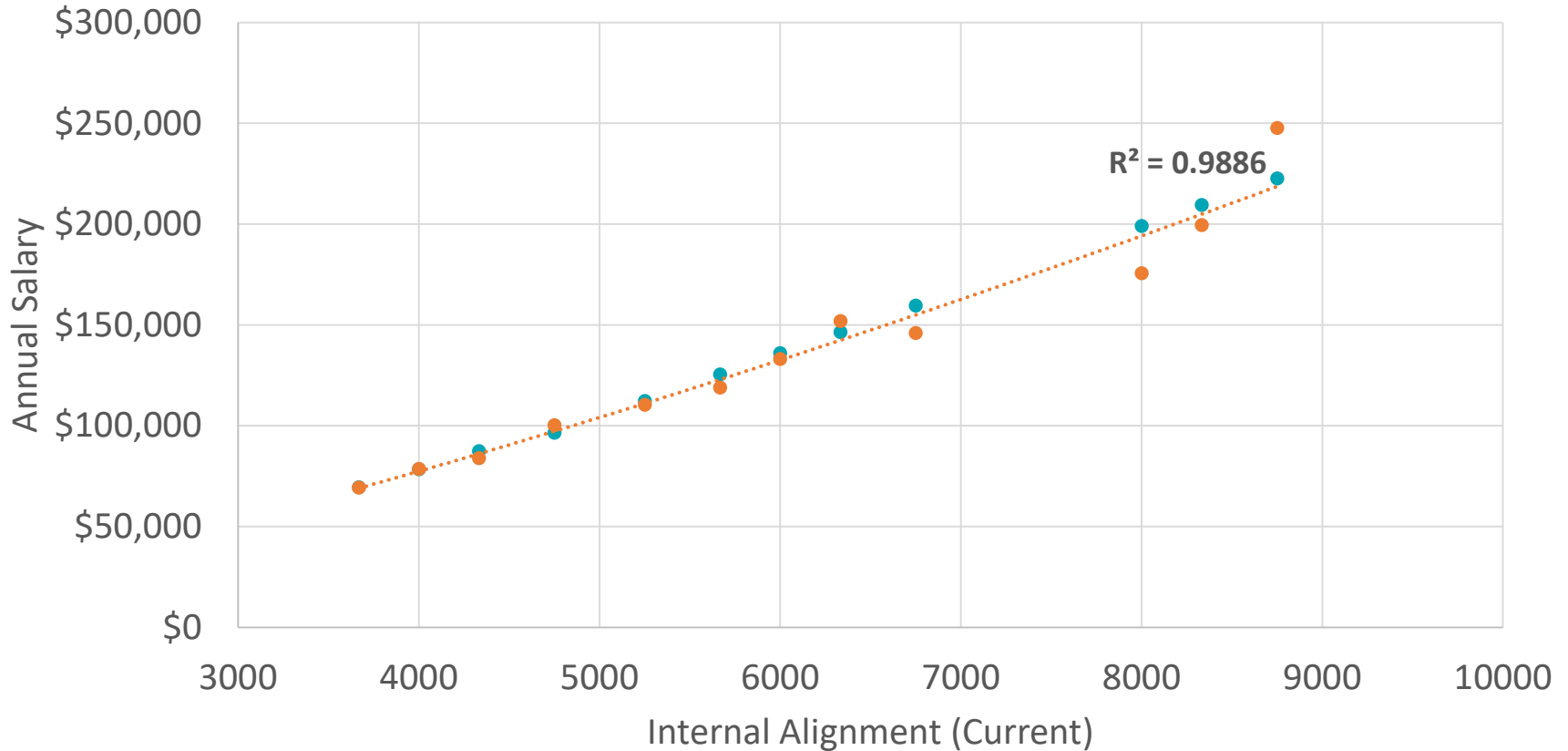
-1.2%

- On an overall basis, the POT/NWSA salaries are **highly competitive** with the market, lagging by only 1.2%.
- Individual benchmark comparisons vary. Longevity, performance, special requirements and hiring conditions may explain some differences in actual salary.



Compensation Study

POT/NWSA: Regression of Market Data



● Average of POT/NWSA Midpoint ● Average of Market 50th Salary



Compensation Study

- Continue current practices of:
 - Adjusting salary ranges annually based on cost labor; and
 - Conduct of a formal compensation study every 3 to 5 years to validate alignment with the market.



Performance Management

- The Performance Management program for non-represented employees was implemented for year 2012.
- The Compensation philosophy adopted was to pay employees competitive salaries – defined as .9 to 1.1 of a midpoint of their respective salary range.
- Salary increases based on performance and position in the salary range



Performance Management

For Evaluation Year 2018:

Rating	Zone		
	(Compa-Ratio Range)		
	1 st Zone (Min - .89)	Competitive Zone (.90 - 1.1)	3 rd Zone (1.1+ - Max)
Exceeds	5%	4%	3%
Achieves	2-4%	2-3%	1-2%
PIP-Performance Improvement Plan	0-1%	0-1%	0%
Below-Disciplinary Action	0%	0%	0%



Performance Management

Considerations:

- Current performance pay distribution may not provide adequate differentiation between individuals who exceed performance objectives and those who achieve.
- Employees who exceed performance objectives should have opportunity to receive similar increases regardless of their position in the salary range.



Performance Management

Option 1 Example

Rating	Zone		
	1 st Zone (min. - .89)	Competitive Zone (.9 – 1.1)	3 rd Zone (1.1+ - max)
Exceeds	6%	6%	6% (4% salary increase; 2% paid in lump payment; and salary increase only up to salary range max, remainder paid in lump sum)
Achieves	2% -4%	2%-4%	2%-4% (Any % over 3% is paid in lump sum; and salary increase only up to salary range max; remainder paid in lump sum)
Below Standards	0%	0%	0%



Performance Management

- Option 2 Example:

Rating	Salary Increase Cost of Labor	Lump Sum (% of pay)
Exceeds	TBD	2%
Achieves	TBD	1%
Below Standards	0%	0%



Leave Program Assessment

- Traditional model of vacation and sick leave is in place today
- Vacation accrual is currently based on level of classification and years of service
- Current leave programs lag the market
- Employees have expressed desire for more flexibility with respect to leave options



Leave Program Assessment

Option 1:

- Keep current model with an increase in vacation and a decrease in sick leave accrual (providing more flexibility)
 - Add 5 additional vacation days
 - Reduce sick leave by 4 days
 - Eliminate 1 personal holiday
 - Example:

Years of Service	Grade C41-C42		Grade C43-C45		Grade D61-E84		Sick Leave	
	# of vacation days		# of vacation days		# of vacation days		# of sick leave days	
# yrs of svc	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
1	10	15	12	17	15	20	12	8
2	12	17	12	17	15	20	12	8
3	12	17	15	20	15	20	12	8
4	12	17	15	20	15	20	12	8
5-9	15	20	15	20	15	20	12	8
10-14	18	23	18	23	18	23	12	8
15-17	20	25	20	25	20	25	12	8
18-19	22	27	22	27	22	27	12	8
20+	25	30	25	30	25	30	12	8



Leave Program Assessment

Option 2:

- Adopt a paid time off (PTO) model with a bank of leave time based on years of service (versus classification) with an extended illness(EI) bank
 - Example:

Years of Service	Proposed PTO and EI		
	PTO	EI	Total
1	18	7	25
2	20	7	27
3	20	7	27
4	20	7	27
5-9	23	7	30
10-14	25	7	32
15-17	28	7	35
18-19	28	7	35
20+	30	7	37



Unpaid Leave Option

Currently unpaid leave is allowed only for “personal hardship”

Proposed:

Approval is at manager’s discretion, providing eligibility requirements have been met, including:

- Successful completion of probationary period;
- Has satisfactory job performance and is not on a performance improvement plan;
- Has exhausted all vacation and sick leave (if applicable);
- The employee must intend to return to work following such leave; and,
- Unpaid leave is limited to 10 working days every 24 months.

The impact of such a leave on the operational efficiency of the department or organization is the primary consideration when reviewing requests for personal LWOP.



Partial Day Absences for Exempt Employees

Use of Leave Time for Exempt Employees

Salaried employees working in exempt jobs are compensated for work they perform rather than the hours they work. Full time salaried employees are expected to work a 40 hour per week schedule, and may be required to work additional hours to complete their work.

Exempt employees may take leave time without charging sick/vacation/PTO when the leave is 4 hours or less

- Employers are expected to schedule personal appointments outside of normal work hours whenever possible.
- Employees are expected to communicate with their manager for prior approvals.
- This is consistent with FLSA regulations (see [US DOL Opinion Letter FLSA2005-41](#)).



Next Steps

- We are looking for the managing members' input and guidance on the information and options provided today.
- Based on your feedback, we will come back and ask for your approval on any proposals for change.

