

Item No.: 5C

Date of Meeting: August 6, 2019



**THE NORTHWEST
SEAPORT ALLIANCE**
Gateway to Solutions

Total Rewards

Presenters:

Jean West, Chief Human Resources Officer

Erin Galeno, Chief Financial & Administrative Officer

Action Requested

Request the Managing Members of the NWSA and the Commissioners of the Port of Tacoma to approve the Total Rewards Programs for non-represented employees of the NWSA and Port of Tacoma. The programs are independent for each entity but the programs' elements are identical. The programs include the following items:

- Overall Total Rewards philosophy;
- Modified vacation and sick leave benefit;
- Expanded options for personal leave without pay;
- Policy for partial day absences for exempt employees; and
- Revised salary increase model for the Performance Management Program.



Background

- The formation of the NWSA identified the opportunity to transition the Port of Tacoma and the NWSA from a traditional salary and benefits approach to a Total Rewards Program.
- Total Rewards Philosophy:
 - To attract, retain, motivate and engage a highly qualified and diversified workforce to achieve organization's mission, vision, values, culture and business strategy.
- Guiding principles:
 - Must support employees in performing their best as well as their well-being;
 - Must be managed in a fiscally responsible manner that is sustainable over time; and
 - Must be applied consistently and fairly among all employees in the NWSA and POT to support organizational goals.



Background

Total Rewards Philosophy:

- Provide market competitive benefits;
- Pay market competitive salaries;
- Provide recognition of employee contributions and performance; and
- Recognize the importance of work-life balance.



Background

- Gallagher Benefit Services (GBS) was engaged to obtain input from employees, Commissioners, and Managing Members, conduct analysis of our current practices and policies, and provide options for a Total Rewards Program.
- At the June MM meeting, Gallagher provided a summary of their findings:

Benefits

- Current benefits are competitive and no changes are recommended.

Compensation Study

- All job descriptions reviewed and found to be properly classified.
- The annual adjustment to salary ranges, based on cost of labor, have proven effective in keeping salaries market competitive.
- Recommended that we continue to use current classification system, adjust salary ranges annually based on cost of labor and conduct compensation studies every 3 to 5 years.



Vacation and Sick Leave

Background:

- Traditional model of vacation and sick leave is in place today.
- Current leave programs lag the market.
- Employees expressed desire for more flexibility with respect to leave options.



Vacation and Sick Leave

Recommendation:

- Modify the current leave program to increase vacation days and reduce sick leave days.
- Provide employees with more control over the use of their paid leave.

Advantage of selected model:

- Mitigates the increased administrative challenges and added costs of moving to a traditional PTO model. (Nearly 50% of the current employees will remain on the traditional leave program based on the collective bargaining agreements.)
- Averts issue of non-exempt employees being allowed to use WA State Paid Sick Leave on first day even in a PTO model.



Vacation and Sick Leave

Proposed changes to vacation and sick leave accrual:

| 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 |

- Add 5 days of vacation; reduce annual sick leave accrual from 12 days to 8 days; and incorporate personal holiday into vacation accrual
- Maximum vacation and sick leave accruals will be 240 hours each.
- Employees hired subsequent to Jan 1, 2020 must complete 5 years of service to be eligible for 25% sick leave cash out.
- Financial Impact:
 - Potential one-time cost of up to \$90,000 for NWSA and up to \$10,000 for POT for cash out of excess vacation hours
 - Longer-term potential impact is less than 1% increase for both entities



Personal Leave without Pay

Recommendation:

Allow for Personal Leave without Pay, provided eligibility requirements have been met, including:

- Successful completion of probationary period;
- Maintained satisfactory job performance with no performance improvement plan;
- All applicable paid leave has been exhausted;
- The employee must intend to return to work following such leave; and
- Personal Leave without Pay 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 leave without pay.



Partial Day Absences

Recommendation:

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

Exempt employees may take time off without charging sick or vacation (as applicable) when the leave is 4 hours or less in a day.

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



Performance Management

Background:

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



Recommendation

- Maintain current Performance Management Program with annual salary increases based on performance rating.
- Change salary increase model to:
 - Provide the same range of salary increase percentages based solely on performance rating; and
 - Provide a bigger differential between salary increases given for “Exceeds” rating vs. “Achieves” rating.
- Projected Financial Impact:
 - Potential annual increase of approx. \$40,000 for NWSA and \$5,000 for POT.

NOTE:

- Annual increases for NWSA employees are administered at the discretion of the Chief Executive Officer within budget totals approved by Managing Members.
- Annual increases for POT employees are administered at the discretion of the Executive Director within budget totals approved by Port Commissioners.
- Managing Members (NWSA) and Port Commissioners (POT) approve the amount budgeted for salary increases during the budget process.



Performance Management

Sample Model:

| 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 2% is paid in lump sum; and salary increase only up to salary range max; remainder paid in lump sum) |
| Below Standards | 0% | 0% | 0% |



Action Requested

Request the Managing Members of the NWSA and the Commissioners of the Port of Tacoma to approve Total Rewards Programs for non-represented employees of the NWSA and Port of Tacoma. The programs are independent for each entity but the programs' elements are identical. The programs include the following items:

- Overall Total Rewards philosophy;
- Modified vacation and sick leave benefit;
- Expanded options for personal leave without pay;
- Policy for partial day absences for exempt employees; and
- Revised salary increase model for the Performance Management Program.

