

Breakthrough Change Initiatives: Phase II: Opportunities and Recommendations

Initiative: Compensation & Benefits Team

Team Members: B. Burton, E. Brooks, C. Carlson, J. Evancho, E. Lewis, S. Marcotte, C. Mathewson, R. McCrea, M. Morrison, P. Pabst, D. Stenger, V. Sullivan, D. Toulson

A. High Potential Opportunities	B. Recommendations/Alternatives	Analysis	Short-Term Outcomes	Projected Longer Term Outcomes	
			2005-2006	2007-2008	2009-2010
<p>No. 1 Compensation Policy: Currently, Personnel Policy 330, applies to only to non-represented employees and is the only adopted policy intended to guide the City's compensation structure. Approximately 15% of City employees are unrepresented. There is not a comprehensive compensation policy, which includes represented employees, to guide HR and City labor negotiators. Labor contracts are negotiated contract-by-contract with much of the benefit package bargained with a Joint Labor Group. A comprehensive Compensation Policy would better articulate the City's goals for its compensation and benefits structure. Such policy would also improve consistency among the City's labor negotiating teams.</p> <p>Data Sources: Personnel Policy 330 Milliman Total Compensation Presentation</p>	Option #1:	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
		Cons:	Non-financial Outcomes:	Non-financial Outcomes:	Non-financial Outcomes:
	Option #2	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
		Cons:	Non-financial Outcomes:	Non-financial Outcomes:	Non-financial Outcomes:
	Option #3	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
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<p>No. 2 Performance: Currently, the City's policies and practices related to pay structure, step increases, longevity increases and leave accrual rates are primarily based upon years of service and seem designed to promote long-term retention of employees without any direct linkage to job performance. In both the private sector and public sector, compensation practices have been changing towards a closer linkage between compensation and job performance.</p> <p>Data sources: Pay Rate Schedule Application of Rates of Pay HR Performance Audits Leave Accrual Schedules</p>	Option #1:	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
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<p>No. 3 Compensation Structure: One consequence of the City's large number of separate bargaining units and the many resulting labor agreements has been the creation of new job classifications and special pay categories to meet specific contract terms. The City currently has more than 800 pay ranges and single-incumbent positions which were identified in the HR Performance Audit. According to the audit, this is more than twice the number identified in 10 comparable organizations. This makes it difficult for managers to see the full costs of any particular employee. The City could consolidate many of these unique provisions to provide full visibility of the total compensation amount to both managers and employees and to better provide for comparability with similar functions in similar organizations.</p> <p>Data Sources HR Performance Audit Compilation of Special Pays</p>	Option #1:	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
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<p>No. 4 Benefit Management: The City last audited the performance of its medical benefits provider in 1996. That audit covered the period 1993 through 1995 and recovered a little more than \$202,000 in overcharges. The City self-insures most of these costs and generally relies on the performance of the provider to screen out unallowable costs. There are also internal and external audit opportunities for other employee benefits.</p> <p>Data Sources: 1996 Benefits Provider Audit GFOA Recommended Practices for Controlling Health Care Costs Regence-Blue Shield On-site Documents</p>	Option #1:	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
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<p>No. 5 Medical Benefits: Nationally, the cost of medical benefits has been rising at a rate well above the rate of inflation and, for the City of Tacoma, at a double digit rate well above the rate of revenue growth. The City of Tacoma is now spending approximately \$28 million per year to provide health care benefits, with the City paying 100% of the monthly costs for the benefit of active employees and their families. Most public employers in Washington require that the employee contribute a portion of the monthly benefit cost. In some instances, this is only when family-member coverage is included but in others, such as Seattle, a contribution is universally required. In response to national trends, many companies and government organizations are adopting “consumer-driven” medical benefits designs, wellness program, in-house clinics and other strategies for controlling the escalating costs of medical benefits.</p> <p>Data Sources: Kaiser/HRET 2004 Survey of Employer Sponsored Health Benefits Deloitte Audio Conference on Benefits Costs and Employee Satisfaction GFOA Healthcare Cost Containment Conference Tacoma Health Benefits Team Recommendations Milliman Benefits Comparison for Tacoma Power City of Long Beach Reports Regence-Blue Shield Association of Washington Cities City of University Place City of Seattle</p>	Option #1:	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
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<p>No. 6. Post Retirement Benefits: Other than commissioned Police Officers, firefighters, and Rail employees, the City provides for retirement benefits through a plan administered by the Tacoma Employees Retirement System. This plan, as it is currently designed, provides competitive benefits for most employee groups but also has a relatively high employer contribution rate.</p> <table border="1"> <thead> <tr> <th>Agency</th> <th>Employer</th> <th>Employee</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Tacoma</td> <td>7.56%</td> <td>6.44%</td> <td>14.00%</td> </tr> <tr> <td>Seattle</td> <td>8.03%</td> <td>8.03%</td> <td>16.06%</td> </tr> <tr> <td>Spokane</td> <td>6.72%</td> <td>6.72%</td> <td>13.44%</td> </tr> <tr> <td>PERS II</td> <td>1.40%</td> <td>1.18%</td> <td>2.58%</td> </tr> <tr> <td>PERS III</td> <td>1.40%</td> <td>1.18%</td> <td>2.58%</td> </tr> </tbody> </table> <p>The City also permits retirees (currently approximately 194) to buy health care coverage through the City's plans at the composite rate. The City could review its current retirement plan to ensure the plan design meets both employer and employee needs and that employer contribution to this portion of employee benefits is the most valued use of the employee's benefits dollars. Finally, the Police and Fire Pension Funds will require an additional \$3.5 million in annual contributions from the General Fund by 2019 before this rate begins to decline. This annual increase could potentially be "smoothed" to minimize this impact.</p> <p>Data Sources: Actuarial Studies Plan II Retirement Age Report City of Long Beach Report</p>	Agency	Employer	Employee	Total	Tacoma	7.56%	6.44%	14.00%	Seattle	8.03%	8.03%	16.06%	Spokane	6.72%	6.72%	13.44%	PERS II	1.40%	1.18%	2.58%	PERS III	1.40%	1.18%	2.58%	Option #1:	Pros:	Cost Savings: GF: Other:	Cost Savings: GF: Other:	Cost Savings: GF: Other:
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