

Personnel Compensation Trust Subfunds

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Department Overview

The Personnel Compensation Trust Funds are six subfunds of the General Fund, five of which are administered by the Seattle Department of Human Resources and one of which is administered by the Department of Finance and Administrative Services (FAS). These six subfunds serve as a means to manage certain Citywide contractual obligations on behalf of employees and City departments. The administering department collects funds from other City departments, which are then paid out to various insurance companies, service providers, and individuals.

The following subfunds are administered by the Seattle Department of Human Resources:

- **Health Care Subfund:** Contains the revenues and expenses related to the City's medical, dental, and vision insurance programs; Flexible Spending Account program; Employee Assistance Program; and COBRA continuation coverage. The City is self-insured for both the Group Health and Aetna medical plans and one dental plan, and carries insurance for the remainder of the dental and vision plans.
- **Industrial Insurance Subfund:** Captures the revenues and expenditures associated with the City's Workers' Compensation and Safety programs. Since 1972, the City of Seattle has been a self-insured employer as authorized under state law. The Industrial Insurance Subfund receives payments from City departments to pay for these costs and related administrative expenses. Overall costs include fees levied by the Washington State Department of Labor and Industries, reinsurance premiums, and administrative costs to manage the program.
- **Unemployment Insurance Subfund:** Contains the revenues and expenditures associated with the City's unemployment benefit and administration costs. The City is a self-insured employer with respect to unemployment insurance.
- **Group Term Life Insurance Subfund:** Contains the revenues and expenses related to the City's group term life insurance, long-term disability insurance, and accidental death and dismemberment insurance plans.
- **Special Employment Subfund:** Contains the outside agency revenues and expenditures associated with the City's temporary, intern, and work study programs. Expenses related to employees hired by City departments through the Special Employment program are charged directly to the departments and do not pass through the Subfund.

The following subfund is managed by FAS:

- **Transit Benefit Subfund:** Contains the revenues and expenditures associated with the City's transit subsidy program with King County Metro Transit.

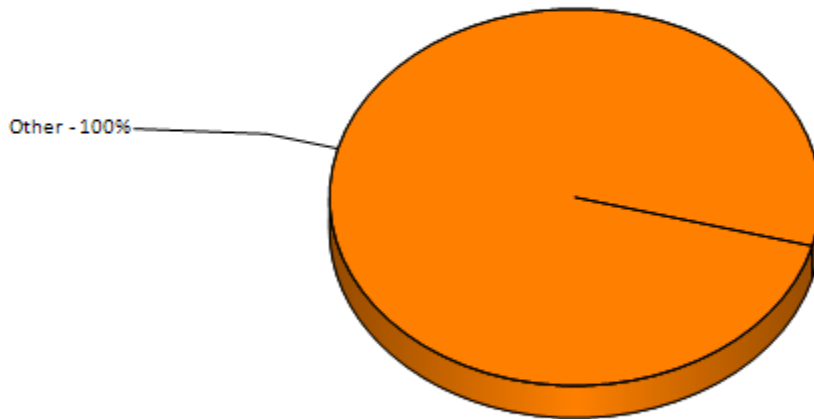
Personnel Compensation Trust Subfunds

Budget Snapshot

Department Support	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
Other Funding - Operating	\$192,061,511	\$216,167,103	\$227,331,130	\$240,087,490
Total Operations	\$192,061,511	\$216,167,103	\$227,331,130	\$240,087,490
Total Appropriations	\$192,061,511	\$216,167,103	\$227,331,130	\$240,087,490
Full-time Equivalent Total*	0.00	0.00	0.00	0.00

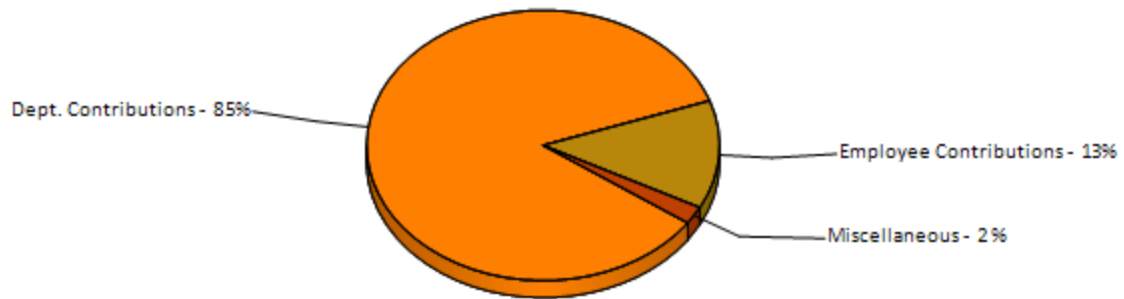
** FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.*

2015 Adopted Budget - Expenditure by Category



Personnel Compensation Trust Subfunds

2015 Adopted Budget - Revenue by Category



Budget Overview

The following provides a summary of each of the six individual subfunds of the General Fund that comprise the Personnel Compensation Trust Funds.

Health Care Subfund: Total City health care costs (medical, dental, vision) reached nearly \$165 million in 2013 and have traditionally grown faster than inflation and faster than the national economy.

Health Care Cost Trend Moderates

Health care cost trends are moderating nationally, coming out of the recent recession and with the implementation of the Affordable Care Act, which expanded coverage to previously uninsured populations and enacted a suite of reimbursement reforms. The City of Seattle's self-insured plans for City employees are also seeing a general moderation in the rate of cost increase. The 2015 Aetna and Group Health medical plan rates are 4.6% and -1.3%, respectively, over 2014 rates, with a weighted average premium increase across all City plans of 3.0%. This is significantly lower than the 8% long-term health care trend assumption. These savings are largely due to lower-than-anticipated costs as well as administrative changes in managing the health care plan. Nationally, analysts expect health care costs to remain relatively contained for the near future.

The City has taken various steps to lower health care costs. In 2012, the City discontinued the purchase of stop-loss insurance to cover large claims, saving \$1 million in annual premium payments. Instead, the Forecast Variance Reserve (FVR) was created to cover large cost swings. The 2015 Adopted and 2016 Endorsed Budget assumes the FVR ending fund balance will be \$8.7 million in 2015 and \$9.0 million in 2016. The City began self-insuring the Group Health medical plans in 2013, which saves the City nearly \$1.4 million in annual administrative expenses.

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2015 Health Care Rate Components

The following section summarizes the changes in individual medical, dental and vision rates in 2015 over 2014 as developed by the City's actuary. Departments are billed by subgroup of employees based on bargaining agreements. The City's health care rate includes medical, dental, and vision coverage. These component rates combine to drive the total health care rate.

- **Medical:** For 2015, the City expects a 4.6% rate increase for the Aetna plans, and -1.3% for the Group Health plans relative to 2014.
- **Dental:** For 2015, the City anticipates a 0% rate increase for the Delta Dental of Washington plan and a 1.5% increase for the Dental Health Service plan relative to 2014.
- **Vision:** For 2015, the City forecasts a 0% rate increase for the Vision Service Plan relative to 2014.

2016 Health Care Rate Assumption

The 2015 Adopted and 2016 Endorsed Budget reflects a health care rate for 2016 that is 5.5% more than 2015's rate.

Industrial Insurance Subfund: The 2015 Adopted and 2016 Endorsed Budget anticipates modest growth in the cost of the City's Industrial Insurance program. Growth in medical costs and time-loss costs are the main drivers of the costs for this program. Medical costs are expected to grow by 3.5% in 2015 and 2016 over expected claims during 2014, and time-loss costs are expected to grow by 5.5% in 2015 and 2016 over expected claims during 2014.

The available fund balance in the Industrial Insurance subfund will help offset the impact of the growth of claims costs. The 2015 Adopted and 2016 Endorsed Budget draws down the fund balance by providing a partial Citywide subsidy of \$400,000 to departments in 2015 and assumes no subsidy in 2016.

Unemployment Subfund: Unemployment costs increased significantly during the Great Recession, from approximately \$1 million in 2008 to a peak of \$3 million in 2010. Costs have gradually returned to normal levels, with \$1.3 million in 2013, but they are expected to increase to \$1.8 million in 2014 resulting from larger than expected layoffs, due in part to one-time layoffs related to the change in Mayoral administration. However, the 2015 Adopted and 2016 Endorsed Budget estimates costs will decrease to levels of \$1.3 million in 2015 and \$1.0 million in 2016 with continued improvement in economic conditions.

Group Term Life Subfund: The 2015 Adopted and 2016 Endorsed Budget does not anticipate any substantive changes for the Group Term Life Subfund relative to 2014. The Subfund expenses related to providing Group Term Life and Long Term Disability optional benefits are projected to remain flat in 2015 over 2014, and increase by 2.8% in 2016. These expenses within the Subfund are fully supported by employee and department contributions.

Special Employment Subfund: The 2015 Adopted and 2016 Endorsed Budget decreases the level of the pass-through expense and revenue levels from \$200,000 in 2014 to \$100,000 in 2015 and 2016 to better reflect actual experience.

Transit Benefit Subfund: In 2013, the City expanded the transit benefit with King County Metro through its ORCA Passport program. This expansion replaced monthly passes and E-purse products and allows employees more flexibility for the Puget Sound transit systems. The change decreased costs to the City by \$2.2 million in 2014. The 2015 contract with King County is expected to increase by \$1.5 million above the 2014 Adopted Budget costs due to a rise in the number of City employees that use the new ORCA Passport program and a small increase in overall rates for Puget Sound transit systems. In 2016, the King County Metro is expected to raise rates by 25 cents per ride.

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City Council Changes to the Proposed Budget

The Council made no changes to the 2015-2016 Proposed Budget.

Incremental Budget Changes

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	2015		2016	
	Budget	FTE	Budget	FTE
Total 2014 Adopted Budget	\$ 216,167,103	0.00	\$ 216,167,103	0.00
Health Care Changes				
Increase in Health Care Expenses	\$ 9,789,381	0.00	\$ 21,572,963	0.00
Unemployment Changes				
Changes in Unemployment Claims	\$ 200,000	0.00	-\$ 25,000	0.00
Industrial Insurance Changes				
Claims Expenses	-\$ 403,777	0.00	\$ 11,058	0.00
Technical Adjustments - Industrial Insurance	\$ 123,000	0.00	\$ 212,030	0.00
Group Term Life Changes				
Technical Adjustments - GTL/LTD	\$ 34,512	0.00	\$ 161,289	0.00
Special Employment Program Changes				
Technical Adjustments - SEP	-\$ 100,000	0.00	-\$ 100,000	0.00
Transit Benefit Changes				
Transit Pass Increases	\$ 1,520,911	0.00	\$ 2,088,047	0.00
Total Incremental Changes	\$ 11,164,027	0.00	\$ 23,920,387	0.00
2015 Adopted/2016 Endorsed Budget	\$ 227,331,130	0.00	\$ 240,087,490	0.00

Personnel Compensation Trust Subfunds

Descriptions of Incremental Budget Changes

Health Care Changes

Increase in Health Care Expenses - \$9,789,381

The 2015 Adopted and 2016 Endorsed Budget reflects an increase of \$10.9 million, from \$185.7 million to \$196.5 million, over the total 2014 Adopted Budget for health care claims and premium expenses. This year over year increase of approximately 5.7% is due to the underlying growth in health costs, expenses, and enrollment. The growth is reflected in the 2016 estimated increase over 2015 of \$10.2 million.

Unemployment Changes

Changes in Unemployment Claims - \$200,000

The 2015 Adopted and 2016 Endorsed Budget updates claims estimates based on recent claims experience. Overall, the total anticipated claims in 2015 are expected to increase by \$200,000 over the 2014 Adopted Budget, and then decrease in 2016 to a level that is \$25,000 below the 2014 Adopted Budget due to improvement in economic conditions.

Industrial Insurance Changes

Claims Expenses - (\$403,777)

This change reflects a decrease in the projected growth in the industrial insurance claim experience, resulting in a budget increase in the 2015 Adopted and 2016 Endorsed Budget, as compared to the 2014 Adopted Budget.

Technical Adjustments - Industrial Insurance - \$123,000

This change reflects an increase in the anticipated expenses in the 2015 Adopted and 2016 Endorsed Budget, as compared to the 2014 Adopted Budget. The main expenses cover payments to the Washington State Department of Labor and Industries for various professional services contracts included in this Subfund, including Second Injury Insurance Premiums. Additionally, this change includes an expense of \$135,000 in 2015 to replace the existing Industrial Insurance system to improve claims management.

Group Term Life Changes

Technical Adjustments - GTL/LTD - \$34,512

The 2015 Adopted and 2016 Endorsed Budget reflects minor changes in the projections for the Long Term Disability premiums and the Group Term Life Insurance and Accidental Death and Dismemberment premiums compared to the 2014 Adopted Budget. Long Term Disability premiums are expected to decrease by \$350,448 in 2015, as compared to the 2014 Adopted Budget. Group Term Life premiums are expected to have an offsetting increase of \$384,960, as compared to the 2014 Adopted Budget.

Personnel Compensation Trust Subfunds

Special Employment Program Changes

Technical Adjustments - SEP - (\$100,000)

The 2015 Adopted and 2016 Endorsed Budget reflects a decrease in the anticipated level of expense activity associated with outside agencies accessing the City's temporary, intern and work study programs compared to the 2014 Adopted Budget.

Transit Benefit Changes

Transit Pass Increases - \$1,520,911

The anticipated costs for the ORCA Passport are expected to increase by \$1.5 million in 2015, as compared to the 2014 Adopted Budget. This increase is mainly due to an increase of City employees using the new ORCA Passport transit program which began in 2013, as compared to the previous transit benefit program. The additional increase in 2016 reflects the future expected \$0.25 increase in King County Metro fares.

City Council Provisos

There are no Council provisos.

Expenditure Overview

Appropriations	Summit Code	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
Group Term Life Budget Control Level	NA000	5,801,963	6,304,320	6,338,832	6,465,609
Health Care Budget Control Level	NM000	164,689,317	185,613,293	195,402,674	207,186,256
Industrial Insurance Budget Control Level	NR500	15,697,416	19,811,000	19,530,223	20,034,088
Special Employment Budget Control Level	NT000	35,235	200,000	100,000	100,000
Transit Benefit Budget Control Level	TRANSITB1	4,536,803	3,163,490	4,684,401	5,251,537
Unemployment Insurance Budget Control Level	NS000	1,300,777	1,075,000	1,275,000	1,050,000
Department Total		192,061,511	216,167,103	227,331,130	240,087,490
Department Full-time Equivalent Total*		0.00	0.00	0.00	0.00

* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.

Personnel Compensation Trust Subfunds

Revenue Overview

2015 Estimated Revenues

Summit Code	Source	2013 Actual	2014 Adopted	2015 Adopted	2016 Endorsed
569540	Group Term Life - Dept Contributions	734,055	859,800	884,400	902,088
569580	Health Care - Department Contributions	149,421,703	160,648,150	168,219,331	178,182,616
569550	Industrial Insurance - Dept Contributions	14,765,111	19,411,000	19,130,223	20,034,088
520670	Transit Benefit - Dept Contributions	4,536,803	3,163,490	4,684,401	5,251,537
569570	Unemployment - Department Contributions	641,575	298,827	1,495,973	1,050,000
	Total Dept. Contributions	170,099,247	184,381,267	194,414,328	205,420,329
469660	Group Term Life - Employee Contributions	5,068,933	5,444,520	5,454,432	5,563,521
569580	Health Care - Employee Contributions	22,210,110	23,098,833	24,249,800	25,593,871
	Total Employee Contributions	27,279,043	28,543,353	29,704,232	31,157,392
461110	Group Term Life - Other Funding	-877	10,000	10,000	10,000
569990	Health Care - Other Funding	1,513,155	2,994,474	4,730,855	4,993,499
441960	Special Employment Program - Outside Funding	38,048	200,000	100,000	100,000
	Total Miscellaneous	1,550,326	3,204,474	4,840,855	5,103,499
	Total Revenues	198,928,616	216,129,094	228,959,415	241,681,220
379100	Use of (Contribution to) Fund Balance - GTL	-148	-10,000	-10,000	-10,000
379100	Use of (Contribution to) Fund Balance - HC	-8,455,651	-1,128,164	-1,797,313	-1,583,730
379100	Use of (Contribution to) Fund Balance - Indus. Ins.	932,305	400,000	400,000	0
379100	Use of (Contribution to) Fund Balance	-2,813	0	0	0
379100	Use of (Contribution to) Fund Balance - Unemployment	659,202	776,173	-220,973	0
	Total Use of Fund Balance	-6,867,105	38,009	-1,628,286	-1,593,730
	Total Resources	192,061,511	216,167,103	227,331,129	240,087,490

Personnel Compensation Trust Subfunds

Appropriations By Budget Control Level (BCL) and Program

Group Term Life Budget Control Level

The purpose of the Group Term Life Budget Control Level is to provide appropriation authority for the City's group term life insurance, long-term disability insurance, and accidental death and dismemberment insurance.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Group Term Life Program	5,801,963	6,304,320	6,338,832	6,465,609
Total	5,801,963	6,304,320	6,338,832	6,465,609

Health Care Budget Control Level

The purpose of the Health Care Budget Control Level is to provide for the City's medical, dental, and vision insurance programs; the Flexible Spending Account; the Employee Assistance Program; and COBRA continuation coverage costs.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Health Care Program	164,689,317	185,613,293	195,402,674	207,186,256
Total	164,689,317	185,613,293	195,402,674	207,186,256

Industrial Insurance Budget Control Level

The purpose of the Industrial Insurance Budget Control Level is to provide for medical, wage replacement, pension, and disability claims related to occupational injuries and illnesses, occupational medical monitoring, workplace safety programs, and related expenses.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Industrial Insurance Program	15,697,416	19,811,000	19,530,223	20,034,088
Total	15,697,416	19,811,000	19,530,223	20,034,088

Special Employment Budget Control Level

The purpose of the Special Employment Budget Control Level is to capture the expenditures associated with outside agency use of the City's temporary, intern, and work study programs. Outside agencies reimburse the City for costs. Expenses related to employees hired by City departments through the Special Employment Program are charged directly to the departments.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Special Employment Program	35,235	200,000	100,000	100,000
Total	35,235	200,000	100,000	100,000

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Transit Benefit Budget Control Level

The purpose of the Transit Benefit Budget Control Level is to pay for the transit benefits offered to City employees. The Transit Benefit Subfund receives payments from Finance General and fee supported departments to pay for reduced cost King County Metro and other regional transit passes and related administrative expenses.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Transit Benefit Program	4,536,803	3,163,490	4,684,401	5,251,537
Total	4,536,803	3,163,490	4,684,401	5,251,537

Unemployment Insurance Budget Control Level

The purpose of the Unemployment Insurance Budget Control Level is to provide the budget authority for the City to pay unemployment compensation expenses.

	2013	2014	2015	2016
Program Expenditures	Actual	Adopted	Adopted	Endorsed
Unemployment Insurance Program	1,300,777	1,075,000	1,275,000	1,050,000
Total	1,300,777	1,075,000	1,275,000	1,050,000

Personnel Compensation Trust Subfunds

Personnel Compensation Trust Subfunds Fund Table

Transit Benefit Subfund (00410)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	0	0	0	0	0
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	4,536,803	3,163,490	3,092,680	4,684,401	5,251,537
Less: Actual and Budgeted Expenditures	4,536,803	3,163,490	3,092,680	4,684,401	5,251,537
Ending Fund Balance	0	0	0	0	0
Ending Unreserved Fund Balance	0	0	0	0	0

Special Employment Program Subfund (00515)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	118,786	118,786	121,599	121,599	121,599
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	38,048	200,000	100,000	100,000	100,000
Less: Actual and Budgeted Expenditures	35,235	200,000	100,000	100,000	100,000
Ending Fund Balance	121,599	118,786	121,599	121,599	121,599
Ending Unreserved Fund Balance	121,599	118,786	121,599	121,599	121,599

Personnel Compensation Trust Subfunds

Industrial Insurance Subfund (00516)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	5,795,818	4,555,818	4,863,513	4,553,513	4,153,513
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	14,765,111	19,411,000	17,811,000	19,130,223	20,034,088
Less: Actual and Budgeted Expenditures	15,697,416	19,811,000	18,121,000	19,530,223	20,034,088
Ending Fund Balance	4,863,513	4,155,818	4,553,513	4,153,513	4,153,513
Claims Reserve	2,490,093	3,305,000	2,905,000	3,204,056	3,307,765
Total Reserves	2,490,093	3,305,000	2,905,000	3,204,056	3,307,765
Ending Unreserved Fund Balance	2,373,420	850,818	1,648,513	949,457	845,748

Unemployment Insurance Subfunds (00517)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	2,473,103	1,654,596	1,813,901	279,027	500,000
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	641,575	298,827	312,221	1,495,973	1,050,000
Less: Actual and Budgeted Expenditures	1,300,777	1,075,000	1,847,095	1,275,000	1,050,000
Ending Fund Balance	1,813,901	878,423	279,027	500,000	500,000
Reserve Against Fund Balance	500,000	500,000	279,027	500,000	500,000
Total Reserves	500,000	500,000	279,027	500,000	500,000
Ending Unreserved Fund Balance	1,313,901	378,423	0	0	0

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Health Care Subfund (00627)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	45,311,728	54,052,278	53,767,379	57,317,269	59,114,581
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	173,144,968	186,741,457	183,602,068	197,199,986	208,769,986
Less: Actual and Budgeted Expenditures	164,689,317	185,613,293	180,052,178	195,402,674	207,186,256
Ending Fund Balance	53,767,379	55,180,442	57,317,269	59,114,581	60,698,311
Reserve - Forecast Variance Reserve	7,644,004	8,446,500	8,446,500	8,749,500	9,011,985
Reserve - Health Care Purposes	32,553,375	36,189,748	34,320,580	34,696,758	35,090,000
Reserve - State Law	13,570,000	10,544,194	14,550,189	15,668,323	16,596,326
Total Reserves	53,767,379	55,180,442	57,317,269	59,114,581	60,698,311
Ending Unreserved Fund Balance	0	0	0	0	0

Group Term Life Insurance Subfund (00628)

	2013 Actuals	2014 Adopted	2014 Revised	2015 Adopted	2016 Endorsed
Beginning Fund Balance	424,840	355,040	424,988	351,686	361,686
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	5,802,111	6,314,320	6,068,373	6,348,832	6,475,609
Less: Actual and Budgeted Expenditures	5,801,963	6,304,320	6,141,675	6,338,832	6,465,609
Ending Fund Balance	424,988	365,040	351,686	361,686	371,686
Ending Unreserved Fund Balance	424,988	365,040	351,686	361,686	371,686