

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 (SDHR) 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 the Department of Finance and Administration (FAS):

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

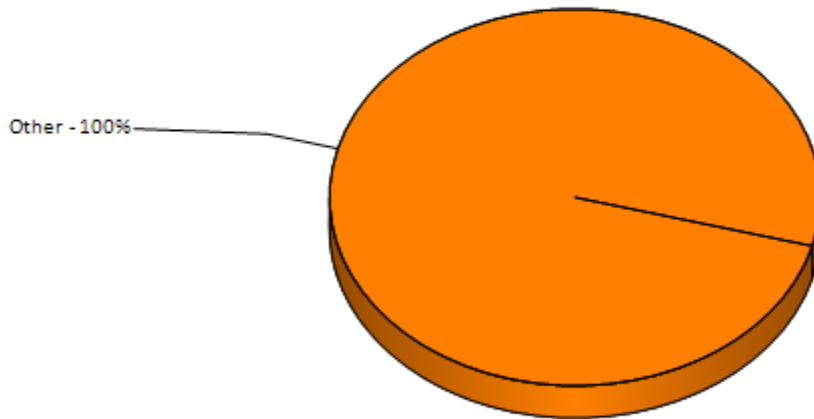
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Budget Snapshot

Department Support	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
Other Funding - Operating	\$202,535,889	\$227,331,130	\$240,087,490	\$235,452,111
Total Operations	\$202,535,889	\$227,331,130	\$240,087,490	\$235,452,111
Total Appropriations	\$202,535,889	\$227,331,130	\$240,087,490	\$235,452,111
Full-time Equivalent Total*	0.00	0.00	0.00	0.00

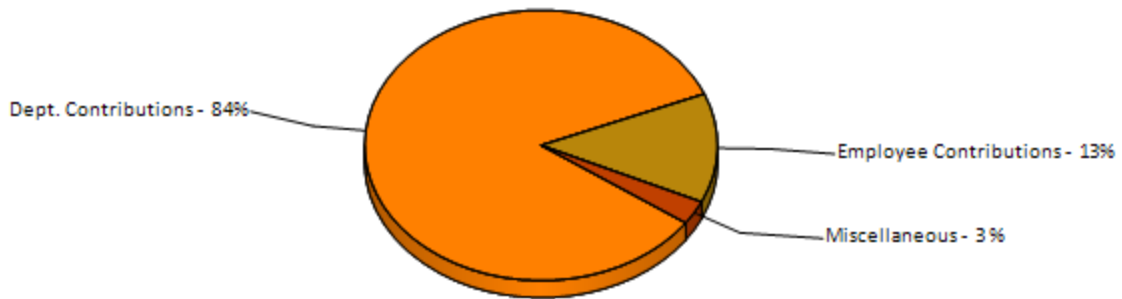
** FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.*

2016 Proposed Budget - Expenditure by Category



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2016 Proposed 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 \$175 million in 2014 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. In recent years, the City of Seattle's self-insured plans for City employees have experienced a small rate of cost increase. The medical plan rates in the 2016 Proposed Budget reflect a decrease over the 2015 levels. The 2016 Aetna and Group Health medical plan rates will decrease by 2.2% and 2.7%, respectively, over 2015 rates, with a weighted average premium decrease across all City plans of 2.4%. These savings are largely due to lower-than-anticipated costs as well as administrative changes in managing the health care plan.

While the City of Seattle has experienced a slow growth in average cost increases over the last three years, health care costs are generally cyclical in nature and the City of Seattle could see an uptick in healthcare costs beyond 2016. Nationally, analysts expect health care costs to remain relatively contained for the near future.

2016 Health Care Rate Components

The following section summarizes the changes in individual medical, dental and vision rates in 2016 over 2015 as developed by the City's actuary. Departments are billed by subgroup of employees based on bargaining

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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 2016, the City expects a 2.2% rate decrease for the Aetna plans, and 2.7% decrease for the GroupHealth plans relative to 2015.
- **Dental:** For 2016, the City anticipates a 2.2% rate decrease for the Delta Dental of Washington plan and a 0.5% increase for the Dental Health Service plan relative to 2015.
- **Vision:** For 2016, the City forecasts a 0% rate increase for the Vision Service Plan relative to 2015.

Industrial Insurance Subfund: The 2016 Proposed Budget assumes that the overall costs of the City's Industrial Insurance program are on track to the levels included in the 2016 Endorsed Budget. Therefore, there are no changes to the 2016 costs. Growth in medical costs and time-loss costs are the main drivers of the costs for this program. In 2016, medical costs are expected to remain 3.5% above the expected claim levels during 2015, and time-loss costs are expected to remain 5.5% above the expected claim levels during 2015.

The available fund balance in the Industrial Insurance subfund will help offset the impact of the growth of claims costs. The 2016 Proposed Budget draws down the fund balance by providing a partial Citywide subsidy of \$500,000 to department contributions in 2016. Additionally, the 2016 Proposed Budget includes \$200,000 to cover the costs for replacing the workers compensation system to improve claims management. These costs will be drawn from the fund balance rather than charged to departments.

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 gradually decreased after 2010 with \$1.3 million in 2013, but increased in 2014 resulting to larger than expected layoffs related to a change in the Mayoral administration and increased use of seasonal labor in the Seattle Center and Seattle Parks and Recreation departments.

Unexpected large claim costs in 2014 depleted the fund balance from \$1.8 million at the beginning of 2014 to only \$237,000 by the end of 2014. 2015 costs have continued to outpace projections, and as a result the 2015 Third Quarter Supplemental Ordinance includes a request to add \$1.1 million of additional revenue from the General Subfund into the Unemployment Subfund. This amount will cover the expected 2015 costs as well as replenish the policy reserve of \$500,000 which was established in 2002 by Resolution 30535. The 2016 Proposed Budget reflects an expected cost of \$1.9 million, a slight decrease from the currently projected 2015 levels.

Group Term Life Subfund: The 2016 Proposed Budget does not anticipate any substantive changes for the Group Term Life Subfund relative to 2015. The expenses related to providing Group Term Life and Long Term Disability optional benefits are projected to increase by 5.0% in 2016, but such increases were anticipated in the endorsed budget. These expenses are fully supported by employee and department contributions.

Special Employment Subfund: The 2016 Proposed Budget does not anticipate any substantive changes for the Special Employment Subfund. The Subfund expenses are projected to remain flat in 2016 over the expected 2015 levels.

Transit Benefit Subfund: The 2016 Proposed Budget does not anticipate any substantive changes for the Transit Benefit Subfund and does not change funding levels from those set in the 2016 Endorsed Budget. Overall, the 2016 contract with King County is expected to increase by \$1.5 million, relative to 2015. The increase is due to a rise in the number of City employees that use the new ORCA Passport program implemented in 2014 and a small increase in overall rates for Puget Sound transit systems. It also reflects a 25 cents per ride increase made by King County Metro in 2015. These changes were anticipated in the 2016 Endorsed Budget.

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Incremental Budget Changes

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	2016 Budget	FTE
Total 2016 Endorsed Budget	\$ 240,087,490	0.00
Health Care Changes		
Decrease in Health Care Expenses	-\$ 5,719,345	0.00
Unemployment Changes		
Changes in Unemployment Claims	\$ 875,000	0.00
Industrial Insurance Changes		
Workers' Compensation System Replacement	\$ 200,000	0.00
Group Term Life Changes		
Technical Adjustments - GTL/LTD	\$ 8,966	0.00
Total Incremental Changes	-\$ 4,635,379	0.00
2016 Proposed Budget	\$ 235,452,111	0.00

Descriptions of Incremental Budget Changes

Health Care Changes

Decrease in Health Care Expenses - (\$5,719,345)

The 2016 Proposed Budget decreases the cost of health care claims and premium expense levels by \$5.7 million compared to the levels reflected in the 2016 Endorsed Budget. The total expected 2016 health care cost is \$201.5 million. Recent claims experience is the main driver for lower than expected growth in the 2016 health care premiums.

Unemployment Changes

Changes in Unemployment Claims - \$875,000

The 2016 Proposed Budget updates claims estimates based on a recent uptick in overall claims experience. The total anticipated claims in 2016 are expected to increase by \$875,000 over the 2016 Endorsed Budget to reflect an increase turnover of seasonal labor used in Seattle Center and Seattle Parks and Recreation departments.

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Industrial Insurance Changes

Workers' Compensation System Replacement - \$200,000

This adjustments reflects the costs to purchase and license for a replacement workers' compensation system. The replacement will improve compliance and reduce penalty payments, claim management and bill payment process, and the accuracy of claims. The expected on-going costs in future years to support the system is \$50,000.

Group Term Life Changes

Technical Adjustments - GTL/LTD - \$8,966

The 2016 Proposed 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 2016 Endorsed Budget. Long Term Disability premiums are expected to increase by \$411,593 in 2015, as compared to the 2016 Endorsed Budget. Group Term Life premiums are expected to have an offsetting decrease of \$402,627, as compared to the 2016 Endorsed Budget.

Expenditure Overview

Appropriations	Summit Code	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
Group Term Life Budget Control Level	NA000	6,080,172	6,338,832	6,465,609	6,474,575
Health Care Budget Control Level	NM000	175,089,065	195,402,674	207,186,256	201,466,911
Industrial Insurance Budget Control Level	NR500	16,440,618	19,530,223	20,034,088	20,234,088
Special Employment Budget Control Level	NT000	15,929	100,000	100,000	100,000
Transit Benefit Budget Control Level	TRANSITB1	2,987,131	4,684,401	5,251,537	5,251,537
Unemployment Insurance Budget Control Level	NS000	1,922,974	1,275,000	1,050,000	1,925,000
Department Total		202,535,889	227,331,130	240,087,490	235,452,111
Department Full-time Equivalents 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.

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Revenue Overview

2016 Estimated Revenues

Summit Code	Source	2014 Actuals	2015 Adopted	2016 Endorsed	2016 Proposed
569540	Group Term Life - Dept Contributions	826,089	884,400	902,088	829,959
569580	Health Care - Department Contributions	154,746,878	168,219,331	178,182,616	170,033,510
569550	Industrial Insurance - Dept Contributions	17,297,324	19,130,223	20,034,088	19,534,088
520670	Transit Benefit - Dept Contributions	2,987,131	4,684,401	5,251,537	5,251,537
569570	Unemployment - Department Contributions	346,079	1,495,973	1,050,000	2,217,021
	Total Dept. Contributions	176,203,501	194,414,328	205,420,329	197,866,115
469660	Group Term Life - Employee Contributions	5,238,490	5,454,432	5,563,521	5,644,616
569580	Health Care - Employee Contributions	23,058,622	24,249,800	25,593,871	25,182,431
	Total Employee Contributions	28,297,112	29,704,232	31,157,392	30,827,047
461110	Group Term Life - Other Funding	16,821	10,000	10,000	10,000
569990	Health Care - Other Funding	5,133,503	4,730,855	4,993,499	6,615,172
441960	Special Employment Program - Outside Funding	18,896	100,000	100,000	100,000
587001	Unemployment - 2015 Q3 - General Fund	0	0	0	0
	Total Miscellaneous	5,169,220	4,840,855	5,103,499	6,725,172
	Total Revenues	209,669,833	228,959,415	241,681,220	235,418,334
379100	Use of (Contribution to) Fund Balance	-12,299	-10,000	-10,000	-10,000
379100	Use of (Contribution to) Fund Balance - Health Care	-7,849,938	-1,797,313	-1,583,730	-364,202
379100	Use of (Contribution to) Fund Balance - Indus. Ins.	-856,706	400,000	0	700,000
379100	Use of (Contribution to) Fund Balance - SEP	-2,967	0	0	0
379100	Use of (Contribution to) Fund Balance - Unemployment	1,576,895	-220,973	0	-292,021
	Total Use of Fund Balance	-7,145,015	-1,628,286	-1,593,730	33,777
	Total Resources	202,524,818	227,331,129	240,087,490	235,452,111

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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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Group Term Life Program	6,080,172	6,338,832	6,465,609	6,474,575
Total	6,080,172	6,338,832	6,465,609	6,474,575

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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Health Care Program	175,089,065	195,402,674	207,186,256	201,466,911
Total	175,089,065	195,402,674	207,186,256	201,466,911

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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Industrial Insurance Program	16,440,618	19,530,223	20,034,088	20,234,088
Total	16,440,618	19,530,223	20,034,088	20,234,088

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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Special Employment Program	15,929	100,000	100,000	100,000
Total	15,929	100,000	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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Transit Benefit Program	2,987,131	4,684,401	5,251,537	5,251,537
Total	2,987,131	4,684,401	5,251,537	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.

	2014	2015	2016	2016
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Unemployment Insurance Program	1,922,974	1,275,000	1,050,000	1,925,000
Total	1,922,974	1,275,000	1,050,000	1,925,000

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Unemployment Insurance Subfunds (00517)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	1,813,901	279,027	237,006	500,000	658,750
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	346,079	1,495,973	2,796,744	1,050,000	2,217,021
Less: Actual and Budgeted Expenditures	1,922,974	1,275,000	2,375,000	1,050,000	1,925,000
Ending Fund Balance	237,006	500,000	658,750	500,000	950,771
Policy Reserve	237,006	500,000	500,000	500,000	500,000
Total Reserves	237,006	500,000	500,000	500,000	500,000
Ending Unreserved Fund Balance	0	0	158,750	0	450,771

Health Care Subfund (00627)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	53,767,375	57,317,270	61,617,313	59,114,582	72,213,849
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	182,939,003	197,199,986	197,936,757	208,769,986	201,831,113
Less: Actual and Budgeted Expenditures	175,089,065	195,402,674	187,340,221	207,186,256	201,466,911
Ending Fund Balance	61,617,313	59,114,582	72,213,849	60,698,312	72,578,051
Reserve - Healthcare Purposes	39,793,813	34,696,759	48,922,733	35,090,001	48,752,607
State Mandated Reserve	13,377,000	15,668,323	14,541,616	16,596,326	14,698,444
Forecast Variance Reserve	8,446,500	8,749,500	8,749,500	9,011,985	9,127,000
Total Reserves	61,617,313	59,114,582	72,213,849	60,698,312	72,578,051
Ending Unreserved Fund Balance	0	0	0	0	0

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Transit Benefit Subfund (00410)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	0	0	0	0	0
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	2,987,131	4,684,401	4,684,401	5,251,537	5,251,537
Less: Actual and Budgeted Expenditures	2,987,131	4,684,401	4,684,401	5,251,537	5,251,537
Ending Fund Balance	0	0	0	0	0
Ending Unreserved Fund Balance	0	0	0	0	0

Group Term Life Insurance Subfund (00628)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	424,988	351,686	426,216	361,686	436,216
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	6,081,400	6,348,832	6,176,262	6,475,609	6,484,575
Less: Actual and Budgeted Expenditures	6,080,172	6,338,832	6,166,262	6,465,609	6,474,575
Ending Fund Balance	426,216	361,686	436,216	371,686	446,216
Ending Unreserved Fund Balance	426,216	361,686	436,216	371,686	446,216

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Special Employment Program Subfund (00515)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	121,599	121,599	124,566	121,599	124,566
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	18,896	100,000	100,000	100,000	100,000
Less: Actual and Budgeted Expenditures	15,929	100,000	100,000	100,000	100,000
Ending Fund Balance	124,566	121,599	124,566	121,599	124,566
Ending Unreserved Fund Balance	124,566	121,599	124,566	121,599	124,566

Industrial Insurance Subfund (00516)

	2014 Actuals	2015 Adopted	2015 Revised	2016 Endorsed	2016 Proposed
Beginning Fund Balance	4,863,513	4,553,513	5,720,219	4,153,513	5,320,219
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	17,297,324	19,130,223	19,130,223	20,034,088	19,534,088
Less: Actual and Budgeted Expenditures	16,440,618	19,530,223	19,530,223	20,034,088	20,234,088
Ending Fund Balance	5,720,219	4,153,513	5,320,219	4,153,513	4,620,219
Policy Reserve	2,714,217	3,204,056	3,204,056	3,307,765	3,307,765
Total Reserves	2,714,217	3,204,056	3,204,056	3,307,765	3,307,765
Ending Unreserved Fund Balance	3,006,002	949,457	2,116,163	845,748	1,312,454