

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 Aetna and Kaiser 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 Administrative Services (FAS):

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

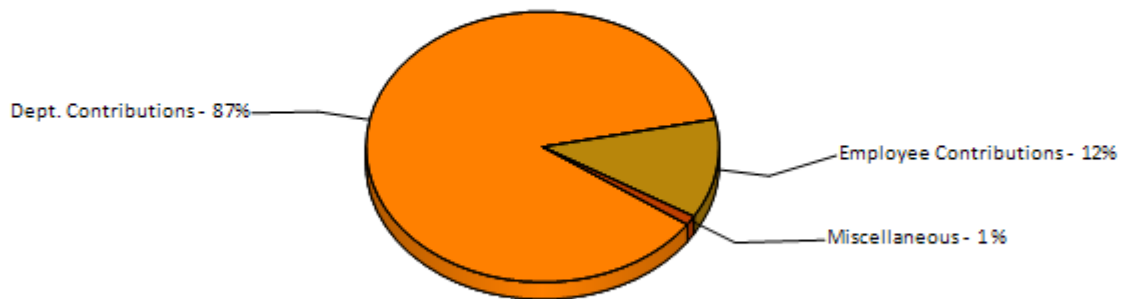
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Budget Snapshot

Department Support	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Other Funding - Operating	\$228,032,741	\$244,660,347	\$258,866,384	\$263,889,348
Total Operations	\$228,032,741	\$244,660,347	\$258,866,384	\$263,889,348
Total Appropriations	\$228,032,741	\$244,660,347	\$258,866,384	\$263,889,348
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.

2018 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 including medical, dental and vision care reached \$200 million in 2016. The City of Seattle experienced slow growth in average cost increases from 2014 through 2017, however, health care costs are generally cyclical in nature and the City of Seattle expects an uptick in health care

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costs in 2018.

Overall Health Care Rate Changes in 2018

City departments contribute health care premiums per employee based on a weighted average that includes medical, dental and vision coverage. The 2018 Endorsed Budget assumed the weighted average rate would increase 5% in 2018, as compared to 2017. Using actual claims data, the City's health care economist projects an updated trend rate of 7% in the 2018 Proposed Budget, as compared to the levels in the 2017 Adopted Budget.

In 2017, Kaiser acquired GroupHealth and the City's GroupHealth members are now Kaiser members. There are no expected immediate changes to the City's healthcare plans or costs for Kaiser members, formerly GroupHealth members.

Health Care Enrollment Changes

The total Citywide expected health care enrollment is 11,843 in 2018, or an increase of 2.4% from the 2017 expected enrollment of 11,566. In addition to the health care trend described above which drives the average cost per member, the change in enrollment impacts the total expected claims costs for the City and is directly correlated to the corresponding employee and employer contributions into the health care fund to pay for claim costs.

Health Care Reserves

In addition to meeting the claims and administrative costs of the health care fund, the City maintains reserves in the Health Care Subfund as mandated by the state and to help protect the City against large claims. The reserve amounts grow in proportion to claims costs. The contributions to fund balance shown in the 2017 revised and 2018 proposed sections of the health care fund table reflect the contributions into these reserves.

Industrial Insurance Subfund: The 2018 Proposed Budget assumes that the overall costs of the City's Industrial Insurance claims costs will remain at the same levels as the 2018 Endorsed Budget.

The City received notice from the Washington State Department of Labor and Industries (L&I) that it should expect higher assessment fees in 2018 due to the City's higher risk of second injury claims. Second injury disability pension claims are a result of an employee's combined injuries from a City workplace injury and a previous or separate injury. The assessment fees serve as an insurance premium paid to the State's L&I's second injury fund. In contrast, disability pensions for injuries that occurred *only* at the City are paid in full by the City. A separate adjustment in the 2018 Proposed Budget reinstates a \$500,000 reserve in Finance General to pay these types of claims for General Fund departments.

The 2018 Proposed Budget adds \$700,000 for the 2018 portion of the 2-year purchase and implementation of an updated workers' compensation system expected to be completed in 2019. The project's remaining costs will be included in the 2019 budget.

Unemployment Subfund: There are no changes expected for unemployment costs in the 2018 Proposed Budget, as compared to the 2018 Endorsed Budget.

The subfund will make repayments in 2018 and 2019 to the General Fund, as a repayment for a \$1.1 million loan from the General Fund in 2015 for higher-than-expected claims costs.

Group Term Life Subfund: The 2018 Proposed Budget does not anticipate any substantive changes for the Group Term Life Subfund, relative to the 2018 Endorsed Budget.

Special Employment Subfund: The 2018 Proposed Budget anticipates that the Special Employment Subfund expenses will remain flat compared to the 2018 Endorsed Budget levels. As a result of the City's Summit Re-Implementation Project, the City will be able to bill departments directly for its employees in the special

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employment program, rather than recover the costs through the Special Employment Subfund. This change will inactivate the subfund by the end of 2018.

Transit Benefit Subfund: The 2018 Proposed Budget does not include any adjustments to the Transit Benefit Subfund. The City's contract with King County for the ORCA Passport program is not finalized until after the 2018 Proposed Budget is submitted. Any changes needed to meet the final 2018 ORCA passport obligations will be made through a supplemental budget ordinance in 2018.

Incremental Budget Changes

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	2018 Budget	FTE
Total 2018 Endorsed Budget	\$ 258,866,384	0.00
Health Care Changes		
Increase in Health Care Costs	\$ 3,565,707	0.00
Industrial Insurance Changes		
Workers' Compensation System Replacement	\$ 700,000	0.00
Administrative Costs Changes	\$ 404,300	0.00
Pension Reserve for General Funded Departments	\$ 500,000	0.00
Group Term Life Changes		
Group Term Life and Long Term Disability Cost Changes	-\$ 147,043	0.00
Total Incremental Changes	\$ 5,022,964	0.00
2018 Proposed Budget	\$ 263,889,348	0.00

Descriptions of Incremental Budget Changes

Health Care Changes

Increase in Health Care Costs - \$3,565,707

The 2018 Proposed Budget increases the cost of health care claims and premium expense levels by \$3.6 million in 2018, as compared to the 2018 Endorsed Budget. This increase is due to two main drivers.

First, the 2017 to 2018 health care trend growth rate, which impacts the year-over-year average cost per member, increased from 5% in the 2018 Endorsed Budget to 7% in the 2018 Proposed Budget. This adjustment

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reflects the 2% change resulting from updated health care costs assumptions.

Second, the City's total health care enrollment is expected to increase by 2.4% in 2018, compared to the 2017 Adopted Budget, as a result of additional new Citywide positions in the 2018 Proposed Budget. The enrollment increase compounds with the health care trend growth by impacting the total health care claims costs.

Industrial Insurance Changes

Workers' Compensation System Replacement - \$700,000

The City's workers' compensation system will be replaced by 2019 in partnership with the Seattle Information Technology Department (SeattleIT). The current system is at the end of its useful life and requires significant manual changes for the City to meet current standards of practice for managing the workers' compensation system.

The entire system replacement, including labor costs for implementation, is expected to cost is \$1.25 million 2018 and 2019. This adjustment of \$700,000 reflects the 2018 portion of the project costs. The remaining costs will be appropriated in the 2019 budget.

Administrative Costs Changes - \$404,300

This adjustment reflects the increase in assessment fees charged by the Washington State Department of Labor and Industries (L&I) to self-insured employers. The adjustment is primarily fees to fund the State's second injury fund which relieves the City from the full cost of disability pensions as a result of City workplace injury and another prior injury.

In contrast, the cost of disability pensions as a result of City workplace injury *without* another prior injury are paid in full by the City, rather than fee-based. The 2018 Proposed Budget includes a separate adjustment that reinstates a \$500,000 reserve in Finance General that will be used to pay for these types of disability pensions.

Pension Reserve for General Funded Departments - \$500,000

This item restores a recurring reserve in Finance General for Workers' Compensation total disability payments. When an employee is found to be totally disabled from a work injury, the City pays the Washington Department of Labor and Industries a present value lump sum to a trust fund. Finance General is the payment entity for General Fund department claims and previously held a reserve for this type of expense per Resolution 30535. However, lack of claims in prior years led to a reduction of the item in a prior budget. An increase in the number of claims being processed has influenced the decision to restore the reserve to buffer the impact of large payments on General Fund departments. Expected payment amounts depend on a variety of factors, including size of family and age of total disability, making these infrequent payments substantial when they occur.

Group Term Life Changes

Group Term Life and Long Term Disability Cost Changes - (\$147,043)

This adjustment reflects a decrease in the annual growth in the 2018 premiums for the City's group term life (GTL) and long term disability (LTD) insurance programs. This decrease reflects an overall decrease in the rates and enrollment of City employees in both insurance plans.

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Expenditure Overview

Appropriations	Summit Code	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
Group Term Life Budget Control Level	NA000	6,047,880	6,798,742	7,138,558	6,991,515
Health Care Budget Control Level	NM000	197,503,601	210,247,436	223,264,152	226,829,859
Industrial Insurance Budget Control Level	NR500	17,557,519	19,679,765	20,474,598	22,078,898
Special Employment Budget Control Level	NT000	18,540	100,000	100,000	100,000
Transit Benefit Budget Control Level	TRANSITB1	5,347,800	5,874,000	6,232,000	6,232,000
Unemployment Insurance Budget Control Level	NS000	1,557,401	1,960,404	1,657,076	1,657,076
Department Total		228,032,741	244,660,347	258,866,384	263,889,348
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.*

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Revenue Overview

2018 Estimated Revenues

Summit Code	Source	2016 Actuals	2017 Adopted	2018 Endorsed	2018 Proposed
	GTL & LTD - Department Contributions	749,389	871,498	915,066	858,975
	Health Care - Department Contributions	171,400,242	183,869,709	194,651,165	202,398,527
	Industrial Insurance - Dept Contributions	16,962,271	19,079,765	19,874,599	21,578,899
	Transit Benefit - Dept Contributions	5,347,800	5,874,000	6,232,000	6,232,000
	Unemployment - Department Contributions	2,248,140	1,593,737	1,657,076	1,657,076
	Total Dept. Contributions	196,707,842	211,288,709	223,329,906	232,725,477
	GTL & LTD - Employee Contributions	5,278,681	5,927,244	6,223,492	6,132,540
	Health Care - Employee Contributions	24,130,952	27,504,016	28,879,217	25,777,642
	Total Employee Contributions	29,409,633	33,431,260	35,102,709	31,910,182
	GTL & LTD - Other Funding	8,776	10,000	10,000	16,915
	Health Care - Other Funding	4,005,175	2,339,898	2,456,893	2,854,291
	Industrial Insurance - Miscellaneous	182,716	0	0	0
	Special Employment Program - Outside Funding	18,699	100,000	100,000	100,000
	Total Miscellaneous	4,215,366	2,449,898	2,566,893	2,971,206
	Total Revenues	230,332,841	247,169,867	260,999,508	267,606,865
	Use of (Contribution to) Fund Balance - GTL & LTD	11,034	-10,000	-10,000	-16,915
	Use of (Contribution to) Fund Balance - Health Care	-2,032,767	-3,466,187	-2,723,122	-4,200,602
	Use of (Contribution to) Fund Balance - Indus. Ins.	412,532	600,000	600,000	500,000
	Use of (Contribution to) Fund Balance - SEP	-159	0	0	0
	Use of (Contribution to) Fund Balance - Unemployment	-690,739	366,667	0	0
	Total Use of (Contribution to) Fund Balance	-2,300,099	-2,509,520	-2,133,122	-3,717,517
	Total Resources	228,032,742	244,660,347	258,866,386	263,889,348

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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.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Group Term Life Program	6,047,880	6,798,742	7,138,558	6,991,515
Total	6,047,880	6,798,742	7,138,558	6,991,515

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.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Health Care Program	197,503,601	210,247,436	223,264,152	226,829,859
Total	197,503,601	210,247,436	223,264,152	226,829,859

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.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Industrial Insurance Program	17,557,519	19,679,765	20,474,598	22,078,898
Total	17,557,519	19,679,765	20,474,598	22,078,898

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.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Special Employment Program	18,540	100,000	100,000	100,000
Total	18,540	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.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Transit Benefit Program	5,347,800	5,874,000	6,232,000	6,232,000
Total	5,347,800	5,874,000	6,232,000	6,232,000

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.

	2016	2017	2018	2018
Program Expenditures	Actuals	Adopted	Endorsed	Proposed
Unemployment Insurance Program	1,557,401	1,960,404	1,657,076	1,657,076
Total	1,557,401	1,960,404	1,657,076	1,657,076

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Personnel Compensation Trust Subfunds Fund Table

Special Employment Program Subfund (00515)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance	124,571	124,571	124,730	124,571	124,730
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	18,699	100,000	100,000	100,000	100,000
Less: Actual and Budgeted Expenditures	18,540	100,000	100,000	100,000	100,000
Ending Fund Balance	124,730	124,571	124,730	124,571	124,730
Ending Unreserved Fund Balance	124,730	124,571	124,730	124,571	124,730

Industrial Insurance Subfund (00516)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance	6,441,298	5,741,298	6,028,766	5,141,298	4,975,656
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	17,144,987	19,079,765	19,326,655	19,874,599	21,578,899
Less: Actual and Budgeted Expenditures	17,557,519	19,679,765	20,379,765	20,474,598	22,078,898
Ending Fund Balance	6,028,766	5,141,298	4,975,656	4,541,299	4,475,657
Policy Reserve	2,778,561	3,065,011	3,065,011	3,212,012	3,212,012
Total Reserves	2,778,561	3,065,011	3,065,011	3,212,012	3,212,012
Ending Unreserved Fund Balance	3,250,205	2,076,287	1,910,645	1,329,287	1,263,645

Unemployment Insurance Subfunds (00517)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance	1,396,293	1,688,314	2,087,032	1,321,647	1,538,474
Accounting and Technical Adjustments	0	0	0	0	0

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Plus: Actual and Estimated Revenues	2,248,140	1,593,737	1,854,014	1,657,076	1,657,076
Less: Actual and Budgeted Expenditures	1,557,401	1,960,404	2,402,572	1,657,076	1,657,076
Ending Fund Balance	2,087,032	1,321,647	1,538,474	1,321,647	1,538,474
General Fund Payback Reserve	366,667	0	366,667	0	0
Policy Reserve	500,000	500,000	500,000	500,000	500,000
Total Reserves	866,667	500,000	866,667	500,000	500,000
Ending Unreserved Fund Balance	1,220,365	821,647	671,807	821,647	1,038,474

Health Care Subfund (00627)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance	71,767,934	74,297,392	73,800,702	77,763,579	79,079,994
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	199,536,369	213,713,623	213,863,982	225,987,275	231,030,460
Less: Actual and Budgeted Expenditures	197,503,601	210,247,436	208,584,690	223,264,152	226,829,859
Ending Fund Balance	73,800,702	77,763,579	79,079,994	80,486,702	83,280,595
Forecast Variance Reserve	9,126,997	10,126,000	9,227,000	10,126,000	9,453,000
Reserve- Healthcare Purposes	49,367,705	51,510,504	53,361,021	53,283,968	55,666,021
State Mandated Reserve	15,306,000	16,127,075	16,491,973	17,076,734	18,161,574
Total Reserves	73,800,702	77,763,579	79,079,994	80,486,702	83,280,595
Ending Unreserved Fund Balance	0	0	0	0	0

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Group Term Life Insurance Subfund (00628)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance	466,126	481,433	455,092	491,433	471,676
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	6,036,846	6,808,742	6,544,609	7,148,558	7,008,430
Less: Actual and Budgeted Expenditures	6,047,880	6,798,742	6,528,025	7,138,558	6,991,515
Ending Fund Balance	455,092	491,433	471,676	501,433	488,591
Ending Unreserved Fund Balance	455,092	491,433	471,676	501,433	488,591

Transit Benefit Subfund (00410)

	2016 Actuals	2017 Adopted	2017 Revised	2018 Endorsed	2018 Proposed
Beginning Fund Balance			0	0	0
Plus: Actual and Estimated Revenues	5,347,800	5,874,000	5,874,000	6,232,000	6,232,000
Less: Actual and Budgeted Expenditures	5,347,800	5,874,000	5,874,000	6,232,000	6,232,000
Ending Fund Balance	0	0	0	0	0
Ending Unreserved Fund Balance	0	0	0	0	0