

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 Personnel Department 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 Personnel Department:

- **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.

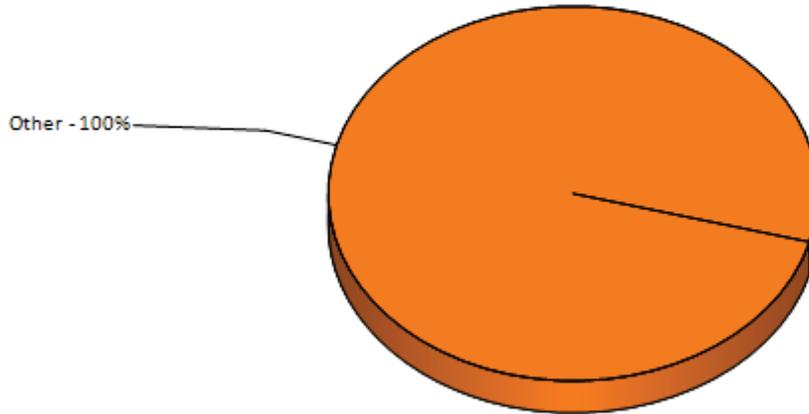
Personnel Compensation Trust Subfunds

Budget Snapshot

Department Support	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Other Funding - Operating	\$175,804,767	\$192,568,852	\$207,216,811	\$216,167,103
Total Operations	\$175,804,767	\$192,568,852	\$207,216,811	\$216,167,103
Total Appropriations	\$175,804,767	\$192,568,852	\$207,216,811	\$216,167,103
Full-time Equivalent Total*	0.00	0.00	0.00	0.00

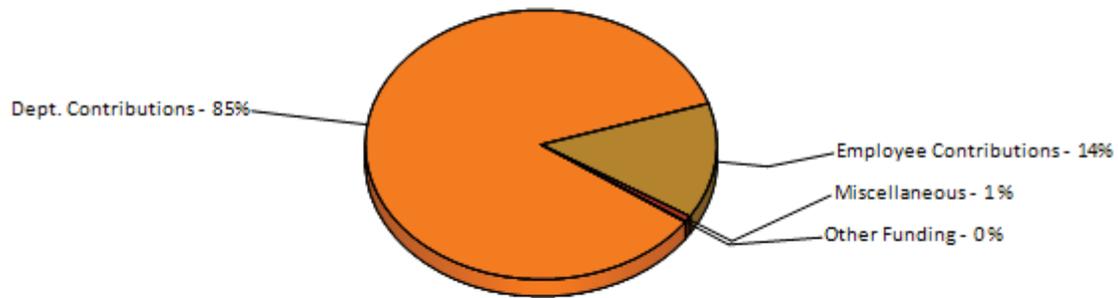
** FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.*

2014 Adopted Budget - Expenditure by Category



Personnel Compensation Trust Subfunds

2014 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) doubled from approximately \$74 million in 2001 to approximately \$149 million in 2012. The General Fund pays for approximately half of the City's total health care costs.

Healthcare Costs Lower Than Projected

The 2014 health care rates for the Aetna and Group Health medical plans are 5.1% and 0.8% respectively over 2013 rates. The new rates reflect a modest cost savings when compared to 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 healthcare plan.

Effective plan management helps to avoid premium increases and allows the City to keep cost growth rates below the 8% trend. 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 City forecasts a 2014 FVR ending fund balance of \$8.4 million. The City began self-insuring the Group Health medical plans in 2013, which saves the City nearly \$1.4 million in annual administrative expenses.

Personnel Compensation Trust Subfunds

2014 Healthcare Rate Components

The following summarizes the changes in individual medical, dental and vision rates in 2014 over 2013 as developed by the City's actuary. These component rates combine to drive the total health care rate.

- **Medical:** For 2014, the City expects a 5.1% rate increase for the Aetna plans, and 0.8% for the Group Health plans relative to 2013.
- **Dental:** For 2014, the City anticipates a 0.2% rate increase for the Washington Dental Service plan and a 2% increase for the Dental Health Service plan relative to 2013.
- **Vision:** For 2014, the City forecasts a 9% rate increase for the Vision Service Plan relative to 2013.

Industrial Insurance Subfund: The 2014 Adopted Budget anticipates modest growth in the cost of the City's Industrial Insurance program. Growth in medical costs is a large driver of the costs for this program and medical costs are expected to grow by 4.5% in 2014 over expected claims during 2013.

The available fund balance in the Industrial Insurance subfund will help offset the impact of the growth of claims costs. The 2014 Adopted Budget draws down the fund balance by providing a partial Citywide subsidy to departments in 2014.

Unemployment Subfund: Unemployment costs increased significantly during the Great Recession, from approximately \$1 million in 2008 to \$3 million in 2010. During the slow recovery, costs are gradually returning to normal levels, \$1.9 million in 2012 and \$1.5 million in 2013. The 2014 Adopted Budget estimates \$1 million in costs due to continued improvement in economic conditions in 2014.

As noted in the 2013 Adopted and 2014 Endorsed budgets, the available fund balance in the Unemployment subfund will be drawn down to provide a subsidy to departments in 2014. The 2014 Adopted Budget continues that approach by providing departments a full subsidy in 2014. Seattle Public Utilities (SPU), Seattle City Light (SCL), and the Department of Planning and Development (DPD) are exempt from receiving the subsidy since those departments pay unemployment claims on a cost-incurred basis and do not contribute to fund balances of this subfund.

Group Term Life Subfund: The 2014 Adopted Budget does not anticipate any substantive changes for the Group Term Life Subfund relative to 2013. The Subfund expenses related to providing Group Term Life and Long Term Disability optional benefits are projected to increase by a combined total of 3% in 2014 over 2013. These expenses within the Subfund are fully supported by employee and department contributions.

Special Employment Subfund: The 2014 Adopted Budget does not anticipate any substantive changes for the Special Employment Subfund relative to 2013.

Transit Benefit Subfund: In 2013, the City expanded the transit benefit with King County Metro through its ORCA Passport program. The ORCA Passport replaced monthly passes and E-purse products and allows employees more flexibility for the Puget Sound transit systems. The new contract with King County Metro decreases costs for the City in the 2014 Adopted Budget by \$2.2 million as compared to the 2014 Endorsed Budget.

City Council Changes to Proposed Budget

During the City Council's review process, the revenues and appropriations for the Health Care Subfund were increased by \$9 million to include additional contributions and claims costs for self-pay and temporary members of the City's health care system. The increase to revenues matches the increase to appropriations because the premiums for these groups are expected to cover their actual claims costs.

Personnel Compensation Trust Subfunds

Incremental Budget Changes

Personnel Compensation Trust Subfunds

	2014 Budget	FTE
Total 2014 Endorsed Budget	\$ 207,216,811	0.00
Group Term Life Changes		
Claims and Premiums Expense	\$ 1,340,711	0.00
Technical Adjustments	\$ 69,754	0.00
Industrial Insurance Changes		
Increase in Claims Activity	\$ 110,000	0.00
Technical Adjustments	\$ 530,000	0.00
Transit Benefit Changes		
Transit Program Changes	-\$ 2,236,510	0.00
Unemployment Insurance		
Increase in Unemployment Claims	\$ 93,731	0.00
Technical Adjustments	-\$ 20,000	0.00
Council Changes		
Increase Health Care Contributions	\$ 9,062,606	0.00
Total Incremental Changes	\$ 8,950,292	0.00
2014 Adopted Budget	\$ 216,167,103	0.00

Descriptions of Incremental Budget Changes

Group Term Life Changes

Claims and Premiums Expense - \$1,340,711

The 2014 Adopted Budget reflects an increase of \$1.3 million, from \$175.2 million to \$176.5 million, over the total 2014 Endorsed Budget for health care claims and premium expenses.

Technical Adjustments - \$69,754

The 2014 Adopted Budget reflects minor changes in the projections for the Long Term Disability (LTD) premiums

Personnel Compensation Trust Subfunds

and the Group Term Life Insurance and Accidental Death and Dismemberment (GTL) premiums and enrollments compared to the 2014 Endorsed Budget. LTD premiums are expected to decrease by approximately \$46,000 while GTL premiums are expected to increase by approximately \$116,000.

Industrial Insurance Changes

Increase in Claims Activity - \$110,000

This change reflects an increase in the projected growth in the industrial insurance claim experience, resulting in a budget increase in the 2014 Adopted Budget, as compared to the 2014 Endorsed Budget. The unreserved fund balance in the Industrial Insurance Subfund partially offsets the claims charges to departments by \$400,000 in 2014.

Technical Adjustments - \$530,000

This change adjusts the anticipated expenses in the 2014 Adopted Budget, as compared to the 2014 Endorsed Budget. The main expenses cover payments to Washington State Labor & Industries for various professional services contracts included in this Subfund, including Second Injury Insurance Premiums.

Transit Benefit Changes

Transit Program Changes - (\$2,236,510)

In July 2013, the City expanded its ORCA transit pass program by including the ORCA Passport to replace monthly passes and E-purse products while expanding flexibility for the Puget Sound transit systems. The new contract with King County Metro decreases costs for the City in 2013 by \$370,000 as compared to the 2013 Adopted Budget and \$2.2 million in 2014 as compared to the 2014 Endorsed Budget.

Unemployment Insurance

Increase in Unemployment Claims - \$93,731

This change reflects updated estimates based on recent claims experience. Overall, the total anticipated claims in the 2014 Adopted Budget are \$211,000 less than the 2013 Adopted Budget levels.

Technical Adjustments - (\$20,000)

This adjustment decreases the professional services budget.

Council Changes

Increase Health Care Contributions - \$9,062,606

Council made an increase to expenditures in the Health Care Subfund to match the additional revenue from health care premium contributions from self-pay and temporary members of the City's health care plans. Contributions from these members are expected to cover their actual costs.

Personnel Compensation Trust Subfunds

Expenditure Overview

Appropriations	Summit Code	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Group Term Life Budget Control Level	NA000	5,352,749	6,112,320	6,234,566	6,304,320
Health Care Budget Control Level	NM000	148,828,704	161,725,755	175,209,976	185,613,293
Industrial Insurance Budget Control Level	NR500	15,061,977	18,330,000	19,171,000	19,811,000
Special Employment Budget Control Level	NT000	43,453	200,000	200,000	200,000
Transit Benefit Budget Control Level	TRANSITB1	4,620,969	4,900,000	5,400,000	3,163,490
Unemployment Insurance Budget Control Level	NS000	1,896,915	1,300,777	1,001,269	1,075,000
Department Total		175,804,767	192,568,852	207,216,811	216,167,103
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 Personnel Director actions outside of the budget process may not be detailed here.*

Personnel Compensation Trust Subfunds

Revenue Overview

2014 Estimated Revenues

Summit Code	Source	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
569540	Group Term Life - Dept Contributions	710,490	859,800	876,996	859,800
569580	Health Care - Department Contributions	138,805,860	146,212,208	154,312,278	160,648,150
569550	Industrial Insurance - Dept Contributions	14,829,196	17,580,000	18,771,000	19,411,000
520670	Transit Benefit - Dept Contributions	4,620,969	4,900,000	5,400,000	3,163,490
569570	Unemployment Insurance - Department Contributions	1,497,894	646,493	317,208	298,827
	Total Dept. Contributions	160,464,409	170,198,501	179,677,482	184,381,267
469660	Group Term Life - Employee Contributions	4,620,328	5,252,520	5,357,570	5,444,520
569580	Health Care - Employee Contributions	17,858,360	14,161,718	15,963,310	24,598,833
	Total Employee Contributions	22,478,688	19,414,238	21,320,880	30,043,353
461110	Group Term Life - Other Funding	9,501	10,000	10,000	10,000
441960	Special Employment Program - Outside Funding	43,439	200,000	200,000	200,000
	Total Other Funding	52,940	210,000	210,000	210,000
569990	Health Care - Other Funding	3,510,953	1,405,000	1,415,300	1,494,474
	Total Miscellaneous	3,510,953	1,405,000	1,415,300	1,494,474
	Total Revenues	186,506,990	191,227,739	202,623,662	216,129,094
379100	Use of (Contribution to) Fund Balance - GTL	12,430	-10,000	-10,000	-10,000
379100	Use of (Contribution to) Fund Balance - HC	-11,346,470	-53,171	3,519,087	-1,128,164
379100	Use of (Contribution to) Fund Balance - Indus. Ins.	232,781	750,000	400,000	400,000
379100	Use of (Contribution to) Fund Balance - SEP	14	0	0	0
379100	Use of (Contribution to) Fund Balance - Unemployment	399,021	654,284	684,061	776,173
	Total Use of Fund Balance	-10,702,224	1,341,113	4,593,148	38,009
	Total Resources	175,804,766	192,568,852	207,216,810	216,167,103

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Group Term Life Program	5,352,749	6,112,320	6,234,566	6,304,320
Total	5,352,749	6,112,320	6,234,566	6,304,320

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Health Care Program	148,828,704	161,725,755	175,209,976	185,613,293
Total	148,828,704	161,725,755	175,209,976	185,613,293

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Industrial Insurance Program	15,061,977	18,330,000	19,171,000	19,811,000
Total	15,061,977	18,330,000	19,171,000	19,811,000

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Special Employment Program	43,453	200,000	200,000	200,000
Total	43,453	200,000	200,000	200,000

Personnel Compensation Trust Subfunds

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Transit Benefit Program	4,620,969	4,900,000	5,400,000	3,163,490
Total	4,620,969	4,900,000	5,400,000	3,163,490

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Unemployment Insurance Program	1,896,915	1,300,777	1,001,269	1,075,000
Total	1,896,915	1,300,777	1,001,269	1,075,000

Personnel Compensation Trust Subfunds

Personnel Compensation Trust Subfunds Fund Table

Transit Benefit Subfund (00410)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	0	0	0	0	0
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	4,620,969	4,900,000	4,528,754	5,400,000	3,163,490
Less: Actual and Budgeted Expenditures	4,620,969	4,900,000	4,528,754	5,400,000	3,163,490
Ending Fund Balance	0	0	0	0	0
Ending Unreserved Fund Balance	0	0	0	0	0

Special Employment Program Subfund (00515)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	118,800	118,800	118,786	118,800	118,786
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	43,439	200,000	200,000	200,000	200,000
Less: Actual and Budgeted Expenditures	43,453	200,000	200,000	200,000	200,000
Ending Fund Balance	118,786	118,800	118,786	118,800	118,786
Ending Unreserved Fund Balance	118,786	118,800	118,786	118,800	118,786

Personnel Compensation Trust Subfunds

Industrial Insurance Subfund (00516)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	6,028,599	5,269,949	5,795,818	4,519,949	4,555,818
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	14,829,196	17,580,000	15,666,890	18,771,000	19,411,000
Less: Actual and Budgeted Expenditures	15,061,977	18,330,000	16,906,890	19,171,000	19,811,000
Ending Fund Balance	5,795,818	4,519,949	4,555,818	4,119,949	4,155,818
State Required Reserve	2,397,919	3,130,000	2,651,723	3,277,500	3,305,000
Total Reserves	2,397,919	3,130,000	2,651,723	3,277,500	3,305,000
Ending Unreserved Fund Balance	3,397,899	1,389,949	1,904,095	842,449	850,818

Unemployment Insurance Subfunds (00517)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	2,872,124	2,323,989	2,473,103	1,669,705	1,654,596
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	1,497,894	646,493	646,493	317,208	298,827
Less: Actual and Budgeted Expenditures	1,896,915	1,300,777	1,465,000	1,001,269	1,075,000
Ending Fund Balance	2,473,103	1,669,705	1,654,596	985,644	878,423
Reserve Against Fund Balance	500,000	500,000	500,000	500,000	500,000
Total Reserves	500,000	500,000	500,000	500,000	500,000
Ending Unreserved Fund Balance	1,973,103	1,169,705	1,154,596	485,644	378,423

Personnel Compensation Trust Subfunds

Health Care Subfund (00627)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	33,965,257	39,433,196	45,311,726	39,486,367	49,394,758
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	160,175,173	161,778,926	179,431,265	171,690,888	186,741,457
Less: Actual and Budgeted Expenditures	148,828,704	161,725,755	175,348,233	175,209,976	185,613,293
Ending Fund Balance	45,311,726	39,486,367	49,394,758	35,967,279	50,522,922
Reserve - Forecast Variance Reserve	5,394,004	7,644,000	7,644,000	7,873,320	8,446,500
Reserve - Health Care Purposes	28,951,626	22,815,386	31,206,565	19,066,979	31,532,229
Reserve - State Law	10,966,097	9,026,981	10,544,194	9,026,981	10,544,194
Total Reserves	45,311,727	39,486,367	49,394,759	35,967,280	50,522,923
Ending Unreserved Fund Balance	-1	0	-1	-1	-1

Group Term Life Insurance Subfund (00628)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	437,270	446,270	424,840	456,270	355,040
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	5,340,319	6,122,320	6,042,520	6,244,566	6,314,320
Less: Actual and Budgeted Expenditures	5,352,749	6,112,320	6,112,320	6,234,566	6,304,320
Ending Fund Balance	424,840	456,270	355,040	466,270	365,040
Ending Unreserved Fund Balance	424,840	456,270	355,040	466,270	365,040