

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 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.

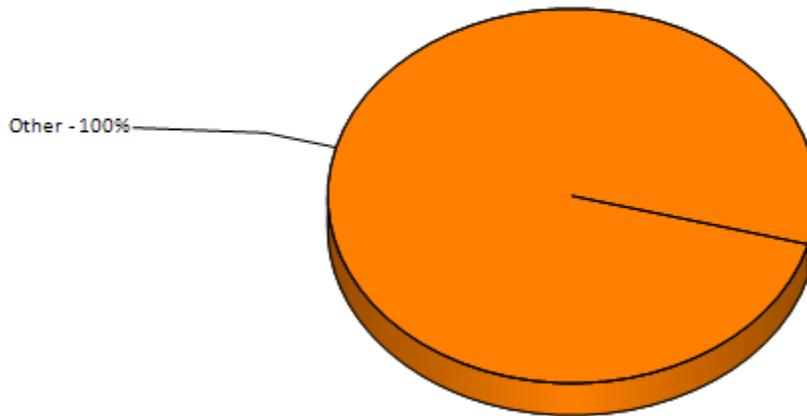
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Budget Snapshot

Department Support	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
Other Funding - Operating	\$212,705,270	\$235,452,111	\$245,749,190	\$259,926,092
Total Operations	\$212,705,270	\$235,452,111	\$245,749,190	\$259,926,092
Total Appropriations	\$212,705,270	\$235,452,111	\$245,749,190	\$259,926,092
Full-time Equivalent Total*	0.00	0.00	0.00	0.00

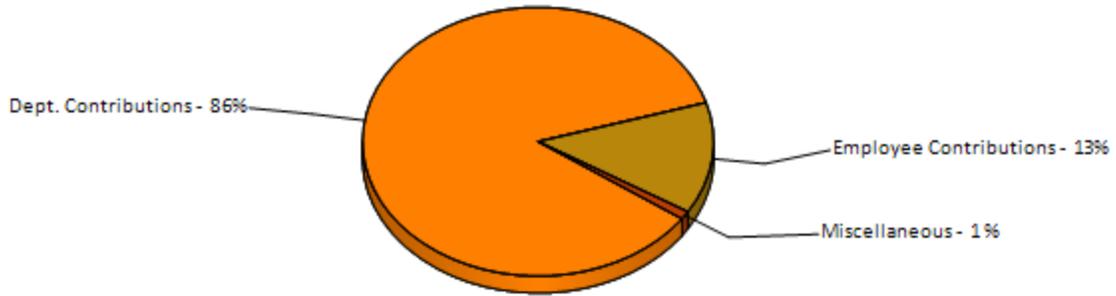
** FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Human Resources Director actions outside of the budget process may not be detailed here.*

2017 Proposed Budget - Expenditure by Category



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2017 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 \$193 million in 2015. Although the City of Seattle has experienced slow growth in average cost increases over the last four years, health care costs are generally cyclical in nature and the City of Seattle could see an uptick in health care costs beyond 2017.

Overall Health Care Rate Changes

In recent years, the City of Seattle's self-insured plans for City employees have experienced low annual rates of cost increases. The City's health care rates in the 2017-2018 Proposed Budget represent modest increases over 2016 levels. City departments contribute health care premiums per employee based on a weighted average that includes medical, dental, and vision coverage. The weighted average across the City will increase by 2% in 2017 over 2016, and an additional 5% increase in 2018 over 2017. Compared to 2017, the more moderate 2018 trend of 5% represents expected upticks as the City's health care costs more closely align with the national annual growth of health care costs.

2017 Health Care Rate Components

The following section summarizes the changes in individual medical, dental and vision rates in 2017 over 2016 as developed by the City's actuary. Departments are billed by subgroups of employees based on bargaining agreements using a weighted average rate that reflects medical, dental, and vision coverage. The following component rates are combined to drive the total weighted average rate.

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- **Medical:** For 2017, the City expects a 2.1% rate increase for the Aetna plans, and 0.1% increase for the GroupHealth plans relative to 2016.
- **Dental:** For 2017, the City anticipates a 1.5% rate decrease for the Delta Dental of Washington plan relative to 2016. There is no change for the Dental Health Service plan relative to 2016 based on historical City claims experience.
- **Vision:** For 2017, there is no rate change for the Vision Service Plan relative to 2016 due to a 2-year rate guarantee that ends at the end of 2017.

Health Care Enrollment Changes

The total Citywide expected health care enrollment is 11,552 in 2017 and 11,618 in 2018, or an increase of 3% from the 2016 enrollment of 11,217. In addition to the health care trend which drives the average cost per member, this change in enrollment will impact the total expected claims costs for the City which is funded by its corresponding employee and employer contributions into the health care fund.

Health Care Reserves

In addition to meeting the claims and administrative costs of the health care fund, the City maintains reserves in the Healthcare 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 2016 revised, 2017 proposed, and 2018 proposed sections of the health care fund table reflect the contributions into these reserves.

Industrial Insurance Subfund: The 2017-2018 Proposed Budget assumes that the overall costs of the City's Industrial Insurance program will experience similar levels of annual growth as compared to the growth between the 2015 Adopted Budget and the 2016 Adopted Budget. Growth in medical costs and time-loss costs are the main drivers of the costs for this program. In 2017 and 2018, medical costs are expected to increase 3.5% annually above the expected claim levels during 2016, and time-loss costs are expected to increase 5.5% annually above the expected claim levels during 2016.

Unemployment Subfund: Unemployment costs increased significantly over the last 3 years related to upticks in the number of unemployment claims by the City's seasonal and temporary staff, particularly at Seattle Center and Seattle Department of Parks and Recreation. The 2016 claims costs over the first 9 months of the year have moderated downward significantly from 2015 levels. The claims costs are expected to decrease further in 2017 and 2018 driven by local economic factors that impact employment.

Unexpected large claims costs in 2014 and 2015 depleted the fund balance from \$1.8 million at the beginning of 2014 to only \$296,300 by the end of 2015. To protect against a deficit by the end of 2015, the 2015 3rd Quarter Supplemental Budget Ordinance transferred \$1.1 million of additional revenue from the General Fund into the Unemployment Subfund. This amount covered 2016 claims costs and replenished the policy reserve of \$500,000, established in 2002 by Resolution 30535. The 2017-2018 Proposed Budget includes a repayment to the General Fund each year using fund balance from the \$1.1 million transfer and department contributions to the subfund.

Group Term Life Subfund: The 2017-2018 Proposed Budget does not anticipate any substantive changes for the Group Term Life Subfund relative to 2016. The expenses related to providing Group Term Life and Long Term Disability optional benefits are projected to increase by 5.0% annually in 2017 and 2018. These expenses are fully supported by employee and department contributions.

Special Employment Subfund: The 2017-2018 Proposed Budget anticipates that the Special Employment Subfund expenses will remain flat compared to 2016 levels. Over the next biennium, the Special Employment Subfund is expected to change in light of changes associated with the City's Summit Re-Implementation Project which will allow departments to be billed directly for employees in the special employment program, rather than through the subfund.

Transit Benefit Subfund: The 2017-2018 Proposed Budget includes increases to the Transit Benefit Subfund in

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2017 and 2018 to reflect the expected contract costs with King County for the ORCA Passport program. The increases reflect expected changes in the costs per ride and an increased use of the program as City employment grows.

Incremental Budget Changes

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	2017		2018	
	Budget	FTE	Budget	FTE
Total 2016 Adopted Budget	\$ 235,452,111	0.00	\$ 235,452,111	0.00
Proposed Changes				
Transit Pass Increases	\$ 622,463	0.00	\$ 980,463	0.00
Health Care Changes				
Increase in Health Care Costs	\$ 8,780,525	0.00	\$ 21,797,241	0.00
Unemployment Changes				
Unemployment Cost Changes	-\$ 697,930	0.00	-\$ 634,591	0.00
Previous Deficit Balance	\$ 733,334	0.00	\$ 366,667	0.00
Industrial Insurance Changes				
Updated Workers' Compensation Claims Cost	\$ 431,346	0.00	\$ 879,894	0.00
Updated Administrative Costs	\$ 103,174	0.00	\$ 420,324	0.00
Group Term Life Changes				
Group Term Life and Long Term Disability Cost Changes	\$ 324,167	0.00	\$ 663,983	0.00
Total Incremental Changes	\$ 10,297,079	0.00	\$ 24,473,981	0.00
2017 - 2018 Proposed Budget	\$ 245,749,190	0.00	\$ 259,926,092	0.00

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Descriptions of Incremental Budget Changes

Proposed Changes

Transit Pass Increases - \$622,463

The anticipated costs for the ORCA Passport are expected to increase by \$622,463 in 2017 and \$980,463 in 2018, compared to the 2016 Adopted Budget. This adjustment is driven mainly by overall increases in City employment and other expected changes in usage. City employees receive an ORCA card, which allows unlimited access to bus, rail, water-taxi and Vanpool/Vans hire options in the region.

Health Care Changes

Increase in Health Care Costs - \$8,780,525

The 2017-2018 Proposed Budget increases the cost of health care claims and premium expense levels by \$8.8 million in 2017 and \$21.8 million in 2018, as compared to the 2016 Adopted Budget. These increases are driven by two main drivers. First, the health care trend rate which impacts the average cost per member is an increase of 2% in 2017 over 2016, and an additional 5% in 2018. Second, the City's total health care enrollment is expected to increase by 3% in 2017 as a result of new Citywide positions in the 2017-2018 Proposed Budget. This compounds with the health care trend by impacting the total health care claims costs.

Unemployment Changes

Unemployment Cost Changes - (\$697,930)

This adjustment reflects the Citywide decreases expected for 2017 and 2018 claims costs. The City's expected unemployment claims are driven by the City's actual claims history and applying local economic assumptions that impact employment.

Previous Deficit Balance - \$733,334

Unemployment claims costs were larger than expected in 2014 and 2015 and drew down the fund balance. The fund was expected to be in deficit by the end of 2015 and \$1,100,000 was transferred from the General Fund in the 2015 3rd Quarter Supplemental Budget Ordinance to temporarily protect the fund from deficit. This adjustment reflects the 2017 repayment to the General Fund, equal to two-thirds off \$1,100,000. The remaining one-third balance will be repaid in 2018. The repayments include fund balance from the \$1,100,000 General Fund transfer.

Industrial Insurance Changes

Updated Workers' Compensation Claims Cost - \$431,346

This item reflects the expected increase of workers' compensation claim costs and number of claims in 2017 and 2018, driven by annual trend assumptions. The annual trend assumption in the 2017-2018 Proposed Budget is 3.5% for medical claims and 5.5% for time-loss claims. The rates are analyzed annually and adjusted based on a history of the City of Seattle actual claims over the most recent 3 years.

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Updated Administrative Costs - \$103,174

This adjustment assumes a 5% annual growth of costs associated with enhancing work safety, the insurance premium to cover excess claims costs, and fees the City of Seattle pays to the Washington Department of Labor and Industries for services provided. This item also increases the labor costs for the workers compensation division at the Seattle Department of Human Resources by 3.2% to reflect annual salary assumptions. This adjustment removes the one-time \$200,000 appropriation in the 2016 Adopted Budget to upgrade the workers' compensation system.

Group Term Life Changes

Group Term Life and Long Term Disability Cost Changes - \$324,167

This adjustment reflect a 5% annual growth in the 2017 and 2018 premiums for the City's group term life (GTL) and long term disability (LTD) insurance programs. GTL premiums are expected to increase by \$203,395 compared to the 2016 Adopted Budget. LTD premiums are expected to increase by \$120,772 compared to the 2016 Adopted Budget.

Expenditure Overview

Appropriations	Summit Code	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
Group Term Life Budget Control Level	NA000	5,778,392	6,474,575	6,798,742	7,138,558
Health Care Budget Control Level	NM000	183,229,621	201,466,911	210,247,436	223,264,152
Industrial Insurance Budget Control Level	NR500	17,537,877	20,234,088	20,768,608	21,534,306
Special Employment Budget Control Level	NT000	8,420	100,000	100,000	100,000
Transit Benefit Budget Control Level	TRANSITB1	4,503,369	5,251,537	5,874,000	6,232,000
Unemployment Insurance Budget Control Level	NS000	1,647,591	1,925,000	1,960,404	1,657,076
Department Total		212,705,270	235,452,111	245,749,190	259,926,092
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

2017 Estimated Revenues

Summit Code	Source	2015 Actual	2016 Adopted	2017 Proposed	2018 Proposed
569540	GTL & LTD - Department Contributions	657,647	829,959	871,498	915,066
569580	Health Care - Department Contributions	166,926,748	174,420,208	183,869,709	194,651,165
569550	Industrial Insurance - Dept Contributions	18,111,149	19,534,088	20,768,608	21,534,307
520670	Transit Benefit - Dept Contributions	4,503,369	5,251,537	5,874,000	6,232,000
569570	Unemployment - Department Contributions	1,706,878	2,217,021	1,593,737	1,657,076
	Total Dept. Contributions	191,905,791	202,252,813	212,977,552	224,989,614
469640	GTL & LTD - Employee Contributions	5,148,886	5,644,616	5,927,244	6,223,492
569580	Health Care - Employee Contributions	23,920,703	25,182,431	27,504,016	28,879,217
	Total Employee Contributions	29,069,589	30,827,047	33,431,260	35,102,709
461110	GTF & LTD - Other Funding	11,768	10,000	10,000	10,000
569990	Health Care - Other Funding	2,532,787	2,228,474	2,339,898	2,456,893
469990	Industrial Insurance - Miscellaneous	147,776	0	0	0
441960	Special Employment Program - Outside Funding	8,425	100,000	100,000	100,000
587001	2015 3rd Quarter Transfer from General Fund	1,100,000	0	0	0
	Total Miscellaneous	3,800,756	2,338,474	2,449,898	2,566,893
	Total Revenues	224,776,136	235,418,334	248,858,710	262,659,216
379100	Use of (Contribution to) Fund Balance - GTL & LTD	-39,909	-10,000	-10,000	-10,000
379100	Use of (Contribution to) Fund Balance - Health Care	-10,150,617	-364,202	-3,466,186	-2,723,122
379100	Use of (Contribution to) Fund Balance - Indus. Ins.	-721,048	700,000	0	0
379100	Use of (Contribution to) Fund Balance - SEP	-5	0	0	0
379100	Use of (Contribution to) Fund Balance - Unemployment	-1,159,287	-292,021	366,667	0
	Total Use of (Contribution to) Fund Balance	-12,070,866	33,777	-3,109,519	-2,733,122
	Total Resources	212,705,270	235,452,111	245,749,191	259,926,094

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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.

	2015	2016	2017	2018
Program Expenditures	Actual	Adopted	Proposed	Proposed
Group Term Life Program	5,778,392	6,474,575	6,798,742	7,138,558
Total	5,778,392	6,474,575	6,798,742	7,138,558

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.

	2015	2016	2017	2018
Program Expenditures	Actual	Adopted	Proposed	Proposed
Health Care Program	183,229,621	201,466,911	210,247,436	223,264,152
Total	183,229,621	201,466,911	210,247,436	223,264,152

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.

	2015	2016	2017	2018
Program Expenditures	Actual	Adopted	Proposed	Proposed
Industrial Insurance Program	17,537,877	20,234,088	20,768,608	21,534,306
Total	17,537,877	20,234,088	20,768,608	21,534,306

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.

	2015	2016	2017	2018
Program Expenditures	Actual	Adopted	Proposed	Proposed
Special Employment Program	8,420	100,000	100,000	100,000
Total	8,420	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.

	2015	2016	2017	2018
Program Expenditures	Actual	Adopted	Proposed	Proposed
Transit Benefit Program	4,503,369	5,251,537	5,874,000	6,232,000
Total	4,503,369	5,251,537	5,874,000	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.

	2015	2016	2017	2018
Program Expenditures	Actual	Adopted	Proposed	Proposed
Unemployment Insurance Program	1,647,591	1,925,000	1,960,404	1,657,076
Total	1,647,591	1,925,000	1,960,404	1,657,076

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Personnel Compensation Trust Subfunds Fund Table

Industrial Insurance Subfund (00516)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
Beginning Fund Balance	5,720,219	5,320,219	6,441,267	5,741,267	5,741,267
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	18,258,925	19,534,088	19,534,088	20,768,608	21,534,307
Less: Actual and Budgeted Expenditures	17,537,877	20,234,088	20,234,088	20,768,608	21,534,306
Ending Fund Balance	6,441,267	4,620,219	5,741,267	5,741,267	5,741,268
Policy Reserve	3,013,058	3,307,765	3,307,765	3,415,601	3,527,738
Total Reserves	3,013,058	3,307,765	3,307,765	3,415,601	3,527,738
Ending Unreserved Fund Balance	3,428,209	1,312,454	2,433,502	2,325,666	2,213,530

Unemployment Insurance Subfunds (00517)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
Beginning Fund Balance	237,006	658,750	1,396,293	1,688,314	1,321,647
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	2,806,878	2,217,021	2,217,021	1,593,737	1,657,076
Less: Actual and Budgeted Expenditures	1,647,591	1,925,000	1,925,000	1,960,404	1,657,076
Ending Fund Balance	1,396,293	950,771	1,688,314	1,321,647	1,321,647
Policy Reserve	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	896,293	450,771	1,188,314	821,647	821,647

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Health Care Subfund (00627)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
Beginning Fund Balance	61,617,317	72,213,849	71,767,934	74,297,392	77,763,579
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	193,380,238	201,831,113	203,849,857	213,713,623	225,987,275
Less: Actual and Budgeted Expenditures	183,229,621	201,466,911	201,320,399	210,247,436	223,264,152
Ending Fund Balance	71,767,934	72,578,051	74,297,392	77,763,579	80,486,702
Forecast Variance Reserve	8,749,500	9,127,000	9,127,000	10,126,000	10,126,000
Reserve - Healthcare Purposes	48,133,434	48,752,607	49,810,440	51,510,504	53,283,968
State Mandated Reserve	14,885,000	14,698,444	15,359,952	16,127,075	17,076,734
Total Reserves	71,767,934	72,578,051	74,297,392	77,763,579	80,486,702
Ending Unreserved Fund Balance	0	0	0	0	0

Special Employment Program Subfund (00515)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
Beginning Fund Balance	124,566	124,566	124,571	124,571	124,571
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	8,425	100,000	100,000	100,000	100,000
Less: Actual and Budgeted Expenditures	8,420	100,000	100,000	100,000	100,000
Ending Fund Balance	124,571	124,566	124,571	124,571	124,571
Ending Unreserved Fund Balance	124,571	124,566	124,571	124,571	124,571

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Group Term Life Insurance Subfund (00628)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
Beginning Fund Balance	426,217	436,217	466,126	481,432	491,432
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	5,818,301	6,484,575	5,963,742	6,808,742	7,148,558
Less: Actual and Budgeted Expenditures	5,778,392	6,474,575	5,948,436	6,798,742	7,138,558
Ending Fund Balance	466,126	446,217	481,432	491,432	501,432
Ending Unreserved Fund Balance	466,126	446,217	481,432	491,432	501,432

Transit Benefit Subfund (00410)

	2015 Actuals	2016 Adopted	2016 Revised	2017 Proposed	2018 Proposed
Beginning Fund Balance	0	0	0	0	0
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	4,503,369	5,251,537	5,251,537	5,874,000	6,232,000
Less: Actual and Budgeted Expenditures	4,503,369	5,251,537	5,251,537	5,874,000	6,232,000
Ending Fund Balance	0	0	0	0	0
Ending Unreserved Fund Balance	0	0	0	0	0