

## **SPECIAL MEETING NOTICE / AGENDA**

### **Spokane Employees' Retirement System (SERS)**

**Wednesday, October 9, 2019  
12:30 PM – 1:30 PM  
City Hall Conference Room 5A**

The **SERS Board** will hold a special meeting on **Wednesday, October 9<sup>th</sup>, from 12:30 p.m. to 1:30 p.m. at City Hall in Conference Room 5A, 808 W Spokane Falls Blvd., Spokane, WA.** The purpose of the special meeting is to discuss a proposed salary ordinance affecting exempt confidential employees. This meeting is open to the public.

#### **AGENDA**

- Proposed Salary Ordinance Information

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Phillip Tencick  
Board Secretary & Retirement Director

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Laurie Farnsworth  
Acting City Clerk

**AMERICANS WITH DISABILITIES ACT (ADA) INFORMATION:** The City of Spokane is committed to providing equal access to its facilities, programs and services for persons with disabilities. Individuals requesting reasonable accommodations or further information may call, write, or email Human Resources at 509.625.6363, 808 W. Spokane Falls Blvd, Spokane, WA, 99201; or [msteinolfson@spokanecity.org](mailto:msteinolfson@spokanecity.org). Persons who are deaf or hard of hearing may contact Human Resources through the Washington Relay Service at 7-1-1. Please contact us forty-eight (48) hours before the meeting date.

July 23, 2019

**Subject: Impact to Spokane Employees' Retirement System (SERS) of allowing Exempt Confidential employees to participate in an alternate defined contribution retirement savings plan.**

**Summary:** Exempt Confidential employees who do not participate in SERS will have a negative impact to the plan, but it is not a significant impact due to the small size of the population. The impact can be mitigated through implementation policies that encourage participation. If the option to participate in an alternate defined contribution retirement savings plan allows the City of Spokane to better attract and retain these employees, there could be a net benefit to the City.

**Discussion:**

There are currently 36 active Exempt Confidential (Exempt) employees. These employees make up 2.5% of SERS participants. On average, Exempt employees have higher average salary than non-Exempt participants (\$101k vs. \$66k). This higher salary results in exempt employees making 3.8% of the total contributions to the plan. These contributions fund both future benefits for the employee and the amortization of the plan's unfunded liability. Since Exempt employees make a disproportionately large amount of contributions, Exempt employees are beneficial to SERS.

If Exempt employees do not participate in SERS, there is a negative impact to the plan, but it is not a significant impact. For each Exempt employee that does not participate in SERS, there is an approximately \$10,000 annual impact to the plan. For all 36 exempt employees, the total impact would be \$360k. To overcome this shortfall, the total contribution rate for the remaining participants would have to increase by 38bp. Based on the current contribution rate of 9.25% of salary for both the employee and the City, each would see the rate increase to at least 9.44%.

The design of the alternate defined contribution retirement savings plan (DC Plan) will impact the likelihood of an Exempt employee participating in SERS. Making the default option enrollment in SERS and limiting the ability to opt-out to the time of hire would increase the participation rate in SERS.

To be competitive with other employers that have a DC Plan, a contribution match would be expected. Matching contributions is standard practice, with 94% of employers providing a matching contribution. Most employers (61%) match at least 3% of salary, with 32% matching between 3% and 5% and 29% matching more than 5%. The federal Thrift Savings Plan (TSP) matches up to 5%. A benchmarking study of government plans conducted by TIAA found that a 5% match was most common, but that a 12% total contribution rate (including matching) was best practice.

To implement a DC Plan for exempt employees, the Spokane Municipal Code 03.05.030 [SERS] Membership would have to be revised to allow Exempt employees to opt-out of SERS. It would also be necessary determine whether to offer the DC Plan under 401(a) or 457 of the Internal Revenue Code to allow for tax deferred contributions.

An Exempt employee that elects to opt-out of SERS may lose portability to other retirement systems in Washington State.

## Title 03 Administration and Personnel

### Chapter 03.05 Spokane Employees' Retirement System

#### Section 03.05.030 Membership

- A. Any new employee must become a member of the retirement system and make contributions required by [SMC 3.05.040](#) on the date of hire, except:
1. temporary, seasonal, or new hire provisionals, as defined by the [City Charter](#) and the City civil service commission;
  2. members of the police and fire departments who are entitled to benefits under state-enacted retirement programs;
  3. participating employees hired under the Comprehensive Employment and Training Act (CETA) and United States Department of Labor (DOL). This proscription does not apply to permanent nonparticipant staff members of the City and Spokane City-County employment and training consortium or its successor.
  4. other non-City-funded employees in temporary employment programs as determined by the board.
  5. *Exempt-confidential employees who elect to opt-out of the retirement system and elect to join the Exempt-Confidential Deferred Compensation program. The election must be made at the time of hire and is permanent and irrevocable.*
- B. Any other employee who is an elected official may, at any time prior to the completion of five (5) years of continuous service, elect to deposit with the retirement system an amount equal to what would be or would have been the elected official's normal contributions if a member of the retirement system during this period of service, with regular interest as determined by the board. The City matches said funds and deposits the same in the retirement fund in a manner similar to that provided for the matching of the normal contributions under the provisions of this chapter, provided that no such elected official shall obtain any benefits of the provisions of the retirement system except contribution interest accruing at the rate provided for interest on employees' normal contributions. The return of any such funds so deposited shall be governed by the provisions as to the return of normal contributions. If and when any such elected official becomes a member the sums so deposited by this member shall be transferred to the credit of such member. Any elected official entering the retirement system under this provision shall have a participation date as of the date of such election to join the system and shall not be considered a member until the date of such election.

Date Passed: Monday, January 8, 2018

Effective Date: Wednesday, February 21, 2018

ORD C35574 Section 3

ORDINANCE C- \_\_\_\_\_

An Ordinance relating to the Salary Review Commission; amending

**NOW, THEREFORE**, the City of Spokane does ordain:

**Section 1.** That section 2.05.010 of the Spokane Municipal Code is amended to read as follows:

**2.05.010 Salary Review Commission Creation**

There is created a salary review commission (“commission”) which shall be charged with reviewing and establishing the salaries of the mayor, council president, and city council members, and City employees identified as Exempt Confidential (identified as those in City pay plans A07)

Section 2. The Section 2.05.020 of the Spokane Municipal Code is amended to read as follows:

02.05.020 Membership – Term – Removal

A. Membership.

The commission shall consist of five members who are residents and registered voters of the City. Appointment shall be as follows:

1. Two Commission members shall have experience in the field of personnel management, or a demonstrated knowledge in the administration of compensation and benefits. Three Commission members shall have experience in finance, business management, or other related fields that demonstrate experience beneficial to the review and establishment of compensation.

A-2.

1-3. ~~Two~~ All members shall be at-large appointments appointed by the mayor with the city council's approval.

~~2. Three members shall be appointed by the mayor with city council approval with one member from each of the three city council districts respectively. The individuals submitted for appointment from the council districts shall be recommended by the city council to the mayor for appointment.~~

~~3-4.~~ Applications for positions to the salary review commission shall be reviewed by the City's ethics committee pursuant to SMC 1.04.170 as an advisory opinion for potential conflicts of interest or other conflicts with the ethics code.

4-5. The ethics committee's advisory opinion shall be filed with the mayor's office and with the city council.

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Commented [CC1]: Do we need to add any language that gives Council some authority in selection?

B. Term.

Each member of the commission shall serve a four-year term, and no member shall be appointed to more than two terms regardless of whether the terms are held consecutively.

1. More than two years of a four-year term shall count as a whole term.
2. Initial appointments shall be as follows:
  - a. Three members shall be appointed for a period of four years; and
  - b. Two members shall be appointed for two years.
3. All subsequent appointments or reappointments shall be for a four-year term.
4. Appointments may be made to complete an unexpired term in the event of a vacancy.

C. Removal.

Commission members may only be removed during their terms of office by the city council with a recommendation from the mayor for cause of:

1. incapacity,
2. incompetence,
3. neglect of duty,
4. malfeasance in office, or
5. for a disqualifying change in:
  - a. residence, or
  - b. voter status.

D. Compensation.

Commission members shall serve without compensation.

E. Qualifications.

~~1. Two Commission members shall have experience in the field of personnel management, or a demonstrated knowledge in the administration of compensation and benefits. Three Commission members shall have experience in finance, business management, or other related fields that demonstrate experience beneficial to the review and establishment of compensation.~~

2.1. Officers, officials, and employees of the City and their immediate family members shall not be eligible to serve on the commission.

- a. For the purposes of this section, "immediate family member" shall mean a:
  - i. parent,
  - ii. stepparent,
  - iii. in-law,
  - iv. spouse,
  - v. sibling,
  - vi. stepsibling,
  - vii. child,
  - viii. stepchild, or

- ix. dependent relative

of the officer, official or employee, whether or not living in the household of the officer, official or employee.

**Section 23.** That section 2.05.030 of the Spokane Municipal Code is amended to read as follows:

**Section 2.05.030 Definitions**

- A. "Elected officials" means the positions of mayor, council president and all council members.
- B. "Appointed officials" means those City employees who are Exempt Confidential employees identified in City pay plan A07
- C. "Salary" or "salaries", as used in this chapter, means any fixed compensation paid periodically for work or services.
  - 1. As applied to the positions of mayor, council president, and all council members, this ~~definition expressly excludes shall mean~~ the total cost of compensation, including medical, retirement and all other benefits provided to the elected official. ~~any medical or other benefits provided to any elected official, as well as any expenses paid or reimbursed on behalf of an elected official in compliance with the City policies and procedures for expense reimbursements.~~
  - 2. As applied to appointed officials, "salary" or "salaries" shall mean the total cost of compensation, including medical, retirement and all other benefits provided to the employee.
- D. "Compensation philosophy" means the total compensation program described in SMC 2.05.080.

**Section 34.** That section 2.05.040 of the Spokane Municipal Code is amended to read as follows:

**Section 2.05.040 Duties**

- A. It is the goal of the commission to base salaries of the mayor, council president and council members, and City employees who are -Exempt Confidential employees - on realistic standards so that both the elected officials and the appointed officials may be paid according to the duties of their offices and so that

citizens of the highest quality may be attracted to public service. The commission shall have the duty to review and establish the salary of the mayor, council president and council members. The commission shall have the duty to review and either approve or not approve the recommendation of the Human Resources Director the salary of all appointed officials. The commission shall study the relationship of total cost of compensation to the duties of the mayor, council president and council members as well as the relationship of the total cost of compensation to the duties of the appointed officials, utilizing the compensation philosophy as a guide.

- B. A decision by the commission to change the salary of the mayor, council president or city council members, shall be filed by the commission with the city clerk by May 31st, City Clerk in time to be included within the next years budget and shall be final and shall become effective and incorporated into the city budget without further action of the city council or salary commission. As deemed necessary by the Human Resources Director, the commission may be convened, not more than 4 times per year, to approve or not approve recommendations of Human Resources on change in salary for appointed officials.
1. Any change of salary by the commission shall supersede any ordinance or resolution in effect at the time the salaries are changed but only to the extent of such conflict.
- C. Salary increases established by the commission shall be effective on the first pay period of the year following the decision of the commission and shall apply to the mayor, council president and all city council members regardless of their terms of office. For appointed officials, salary changes shall be effective commencing the first pay period after the commission has approved the action.
- D. Salary decreases established by the commission shall become effective as to an incumbent mayor, council president or council member at the commencement of their next subsequent terms of office. Salary decreases established by the commission for appointed officials shall become effective when that position is vacated.

**Section 45.** That Section 2.050.050 of the Spokane Municipal Code is amended to read as follows:

**Section 2.05.050 Operations of Commission**

- A. The commission may establish its own rules of procedures consistent with the Spokane Municipal Code and state law, which shall include a meeting schedule.
- B. The commission shall annually elect a chair and vice chair from its members.

- C. All meetings of the commission shall be open to the public.
  - 1. At least one of the meetings shall include a public hearing held prior to the commission issuing a decision regarding the establishment of salaries in order to provide an opportunity for the public and the affected elected and appointed officials to address the commission.
  
- D. The commission shall meet to review the salary schedules of the mayor, council president and council members, and the appointed officials, during even numbered years and may meet more frequently on their own initiative or by a motion of the city council.
  - 1. Decisions of the commission regarding an increase or decrease in the salary schedule shall be filed by the commission with the city-City clerk Clerk in time to be included within the next year's budget by May 31st.
  
- E. In determining the salaries for the mayor, council president and council members, the commission shall solicit information regarding the elected officials' duties and responsibilities. In approving or not approving salary levels for appointed officials, the commission shall be provided by City of Spokane Human Resources information regarding the duties and responsibilities and shall base salary decisions-approvals utilizing best-practice methodology for determining the employees' total cost of compensation, giving consideration to data and other information gathered by the City's Human Resources Department and presented to the commission, using the compensation philosophy as a guide. Prior to the commission issuing a salary schedule, the commission may request additional financial information and other relevant data from the appropriate city department.
  
- F. Three members of the commission shall constitute a quorum and the affirmative vote of three members shall be required to approve a salary schedule for the mayor, council president and council members, and for appointed officials, as well as all other matters of the commission.
  
- G. The commission shall keep a written record of its proceedings, which shall be a public record in accordance with state law.
  - 1. The commission shall provide written documentation forming the basis for the salary schedule.
  
- H. The commission shall be assisted in performing its duties by staff assigned by the city administration and the City Council.

**Section 5.** That Section 2.05.080 is added to the Spokane Municipal Code as follows:

**2.05.080 Compensation Philosophy**

**COMPENSATION PHILOSOPHY**



The City of Spokane's Compensation Philosophy is to provide fair, consistent and equitable total compensation practices in alignment with the City of Spokane's values and mission by ensuring compensation procedures and guidelines are consistent with the judicious expenditure of funds.

The total compensation program at the City is designed to ensure fair and equitable treatment of all employees, while creating and supporting a high-performing, responsive and competitive organization. Our goal is to attract and retain committed, hard-working, creative and thoughtful employees who support our mission not only in service delivery but in building a better community in which to live and work. The City's total compensation program is made up of both salary/wages and a wide variety of employee benefits.

To attract and retain the employees with the competencies, skills, knowledge, and dedication we need to meet our high performance standards, the City of Spokane (the City) strives to be an employer of choice in our region. For our community that means our goal is to deliver efficient and effective services in a cost-effective manner. For our employees that means we are committed to:

- Communicating openly with our employees about the City's business/mission, successes and failures, and opportunities to do things better.
- Ensuring individual accountability for performance and results.
- Properly rewarding employees for work performed through a competitive total compensation package.
- Taking in to account both internal and external equity factors in determining total pay and benefits..

### **Market Definition**

Given the diversity and complexity of the positions employed at the City of Spokane, the "market" for any individual position or classification will be varied. For some positions, the market will be exclusively public sector governments. For other positions, the market will be a mix of public and private sector employers. The market will be defined in a manner that reflects the primary industries where labor talent is found, recruited from and/or lost to. Once the market is generally identified, certain criteria come into play when considering the potential pool of market data. Those criteria include:

- Certain positions are recruited from and lost to local area employers (of public, private or both sectors) so data from organizations within our local area is most relevant.
- Other positions are recruited from and lost to regional or national employers (of public, private, or both sectors). Survey data for these positions will be expanded to include regional or even national data as appropriate.
- National data will also be used (adjusted for Spokane regional cost of labor), if there is insufficient local or regional survey data available to make reliable market analysis, or the national market is the appropriate market for comparison.
- All data should be appropriately scaled and adjusted to reflect geographic differences in the cost of labor; this is intended to insure that they survey data reflects comparable information.
- Finally, at certain job levels, the complexity created by organizational size and purpose is directly related to the scope of responsibility of the position and consequently, its pay.

### Competitiveness

The City of Spokane will compensate employees (at all levels) based on the duties and responsibilities of the position. Total compensation and benefit packages are designed to allow the City to recruit and retain a competitive workforce. The City does recognize there are conditions where exceptions may be necessary. Such exceptions may be:

- Recruiting the desired level of talent in certain jobs is a sustained problem and results in negative impacts to the City;
- Retention issues, including succession and turnover;
- Significant changes in the economy or marketplace;
- Internal anomalies in alignment, disparities or inconsistencies.

### Benefits

The City will target benefits, in total, to be competitive in attracting and retaining our employees. It will provide flexibility and choices while meeting the needs of a diverse workforce and reflecting the various life stages of employees. The benefits program is an integral component of our total compensation program which helps employees meet their financial commitments and prepare for retirement while maintaining health and wellness for themselves and their families.

**PASSED** by the City Council on \_\_\_\_\_.

\_\_\_\_\_  
Council President

Attest:

Approved as to form:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Assistant City Attorney

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Date

\_\_\_\_\_  
Effective Date

DRAFT

