

# Personnel Cabinet Annual Report 2004-2005



*"A land of diversity - full of opportunity"*

Ernie Fletcher  
Governor

Erwin Roberts  
Secretary

# **2004-2005 Annual Report**

## **Personnel Cabinet**

All information contained in this report is as of  
June 30, 2005

**Prepared by:**

**Division of Employee Services and Recognition  
Personnel Cabinet  
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## PERSONNEL CABINET

**Ernie Fletcher**  
Governor

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**Erwin Roberts**  
Secretary

September 30, 2005

Governor Ernie Fletcher  
700 Capital Avenue  
Frankfort, KY 40601

Legislative Research Commission  
700 Capital Avenue  
Frankfort, KY 40601

Personnel Board  
28 Fountain Place  
Frankfort, KY 40601

Dear Governor Fletcher, Legislative Research Commission and Personnel Board:

Pursuant to KRS 18A.030 (2) (1), I am pleased to submit to you the Annual Report of the Personnel Cabinet for the fiscal year ended June 30, 2005. This report will give you a thorough overview of the functional, statistical and historical information pertaining to the services provided by this Cabinet. We will continue to use this information to further our strategic plan in concurrence with Governor Fletcher's vision for Kentucky.

As you know, this is the first full fiscal year under the Fletcher Administration covered in this statement. We are pleased to report that during this timeframe we have taken bold steps in creating a true human resource environment within the Personnel Cabinet and across the Commonwealth's state government. As we move forward, our plan is to execute programs that will assist in the goals of making our government more efficient and effective.

One of the steps that we have taken to provide this true human resource environment – the beginning stages of a new, improved and state of the art Human Resource Information System (HRIS) have begun and are on track with the Phase 1 goals set forth by the Personnel Cabinet. This project will not only change the technologies used in basic HR functions but will embrace "best practices" for more efficient and effective management of the state's resources.

In the coming year, we will be implementing and managing the programs mentioned above and many more. For instance, for the first time in its history, Kentucky's state employee health coverage will be self-insured. By self-insuring, our members will be in a "wellness" model instead of the "illness" model that has plagued our workforce for many

years by not addressing the concerns of long-term health but rather focusing on short-term fixes. As the years progress, we will see that our workforce has more opportunities to live a healthy, productive lifestyle -- not only for the state's benefit -- but for each individual.

We look forward to better serving the people of this Commonwealth. As we continue our mission in the Personnel Cabinet, our overall initiative remains: We must restore hope in Kentucky. We know that by continuing our efforts we will fulfill this objective.

Regards,

A handwritten signature in black ink, appearing to read "Erwin Roberts". The signature is stylized, with a large, sweeping initial "E" and a cursive "Roberts".

Erwin Roberts  
Secretary

# Core Values, Vision and Mission

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## CORE VALUE

Thought Leadership/Strategic Thinking - Our processes, systems and programs will align with the initiatives of the State's administration in order to drive desired results.

- Customer Focused - We are committed to providing quality customer service. We strive to demonstrate responsiveness, sensitivity, and respect to those we serve.
- Valuing Diversity - We believe that embracing people from diverse backgrounds adds to the richness and creativity of our workforce and the culture and prosperity of our state. To further this belief, we will ensure all people have access to the Commonwealth's human resource programs and information.
- Innovation - We are committed to promoting the use of human resources, technology and progressive thinking to increase effectiveness throughout state government in order to improve services to customers/constituents.
- Quality - We will continually review our business processes and establish effectiveness measures by which we will monitor our effectiveness.

## VISION

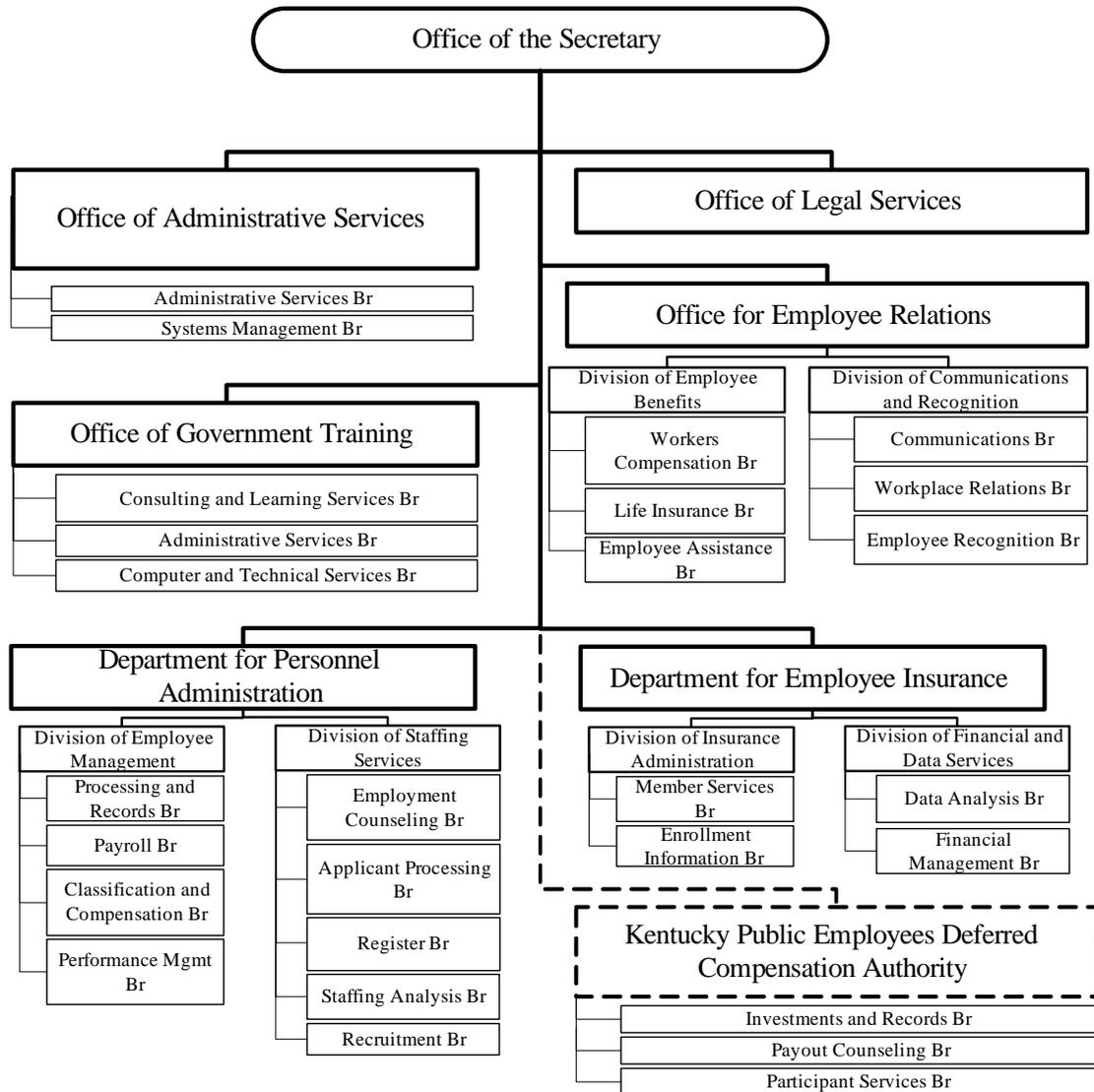
To serve as a model in the Commonwealth of Kentucky for the effective and efficient short and long term use of human capital.

## MISSION STATEMENT

The Personnel Cabinet is dedicated to providing exceptional human resource management to better serve the citizens of the Commonwealth.

# Organizational Chart

## PERSONNEL CABINET



# Responsibilities

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## Office of the Secretary

The Office of the Secretary provides executive policy and management support to the departments, offices and divisions of the cabinet; promulgates administrative regulations; advises the Personnel Board on matters pertaining to the classified service; conducts investigations on all matters relating to the personnel laws and rules; prepares budget estimates for support of the personnel system; provides personnel services to unclassified employees according to agency agreements; and provides for such other services as are enumerated in KRS 18A.030.

## Equal Employment Opportunity Unit

The State Equal Employment Opportunity (EEO) Office is responsible for the Affirmative Action Plan for state government and the actions pertained within. The office provides training on EEO, diversity and sexual harassment prevention. The EEO Office is the central recruiting coordinator for all of state government. The Office is the Administrator of the Governor's Minority Management Trainee Program.

## Kentucky Public Employees Deferred Compensation Authority

The Kentucky Public Employees' Deferred Compensation Authority is a voluntary supplemental retirement benefits program available to Kentucky public employees. (This includes employees of state government agencies, public school systems, state universities and local government entities.)

## Office of Administrative Services

The Office of Administrative Services is responsible for overseeing internal operations and personnel management for the cabinet.

## Administrative Services Branch

The Administrative Services Branch is responsible for the Personnel Cabinet's budgeting, accounting, purchasing, property management and payroll administration.

## Office of Legal Services

The Office of Legal Services is responsible for overseeing all legal services for the cabinet. In addition to providing legal services to the Personnel Cabinet, including drafting legal

# Responsibilities

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pleadings, memorandums, statutes, regulations, and legal opinions, the General Counsel represents the Personnel Cabinet and its employees in administrative hearings and trials; serves as Custodian of Records for the purpose of the Open Records Act; consults with other agency officials and employees on the enforcement and application of state and federal laws and regulations governing employment; testifies before legislative committees; conducts training; and serves as an expert witness in trials concerning the State Merit System.

## Office for Employee Relations

This office includes the Executive Director's Office and two divisions. The main goal of the Executive Director's Office is to provide executive leadership to Employee Relations' programs and staff. In addition to the regular duties within the two divisions, this office coordinates the Personnel Cabinet's Annual Employee Appreciation Day, which is part of Public Employee Recognition Week. This office coordinates logistics for the annual Governor's EEO Conference (the major training event for EEO counselors and coordinators, personnel executives and managers) including registration, development, and the scheduling of 18 workshops and 3 general sessions for more than 300 participants.

### Division of Communications and Recognition

This division is responsible for the Employee Suggestion System, the Career Service Program, the Personnel Answer Line and the Kentucky Employee Mediation Program. These programs are available to all state employees. In addition, the division publishes the *Commonwealth Communiqué*, a newsletter for all state government employees, and the *Personnel Perspective*, a monthly newsletter for Personnel Cabinet employees. Staff also provides technical assistance and training on ADA (The Americans With Disabilities Act) to employees of the Personnel Cabinet and, upon request, to employees of other state agencies.

### Division of Employee Benefits

This division is responsible for the Life Insurance Program, the state employees' Workers' Compensation program, the coordination of the State Safety Program, the Kentucky Employee Assistance Program (KEAP), and the administration of the Sick Leave and Annual Leave Sharing Programs, and the Family Medical Leave Act (FMLA). Many of these programs also serve employees of other governmental entities, such as local school districts, universities, and other local governments. This division also includes the Adoption Benefits Program, which assists executive branch state employees with reimbursement of eligible expenses incurred in the adoption of a child.

# Responsibilities

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## Office of Government Training

The Office of Government Training (OGT) is a new addition to the Personnel Cabinet and consists of the former Governmental Services Center (GSC). OGT retains its former mission of providing training to state employees, and its offices remain on the campus of Kentucky State University in Frankfort.

## Department for Employee Insurance

The Department for Employee Insurance, (formerly the Office of Public Employee Health Insurance) is responsible for overseeing the Commonwealth of Kentucky's Public Employee Health Insurance Programs, as well as, the Flexible Spending Account Program for state employees. The department is to:

1. Provide exemplary health insurance customer service to the citizens of the Commonwealth, state government employees, boards of education, health departments, and other agencies as directed.
2. Support state government employees with health and dependent care flexible spending accounts.
3. Receive, analyze, and maintain health insurance data to assist the Commonwealth in making decisions relative to the state health insurance plan.
4. Support the ongoing efforts of Employee Advisory Committee, including the development of recommendations on the future direction of the program.

The Commissioner's office includes the Commissioner and Deputy Commissioner. The Commissioner reports directly to the Secretary of the Personnel Cabinet. The Commissioner's office is charged with overseeing the mission of the department and its daily operation.

## Division of Insurance Administration

This division consists of two branches, the Member Services Branch and the Enrollment Information Branch. The Member Services Branch is responsible for providing customer service to employees, retirees and their dependents; working with the open enrollment process to improve its administration; educating members regarding employee health insurance; administration of the Flexible Spending Account Program and performing other related health insurance functions. The Enrollment Information Branch develops and maintains an eligibility database of employee health insurance information on all participants in the Public Employee Health Insurance Program, as well as, other related health insurance services.

# Responsibilities

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## Division of Financial and Data Services

This division also consists of two branches, the Financial Management Branch and the Data Analysis Branch. The Financial Management Branch is responsible for the following areas:

- Creation and distribution of bills for group health insurance and administration fees;
- Receipt of payments for self-funded coverage and all administration fees;
- Posting and balancing all premium payments, administration fees and adjustments;
- Reconciliation of premiums and administration fees received against those paid, and
- Resolution of discrepancies.

The Data Analysis Branch analyzes, evaluates and interprets health insurance data from all available sources and prepares reports based on the data for distribution to appropriate individuals within and outside the Personnel Cabinet.

- Assessing the impact of proposed legislation on the Commonwealth's healthcare program;
- Provide input to the Commonwealth's budget process with respect to the Public Employee Health Insurance Program;
- Collecting, maintaining, and analyzing enrollment and claims payment data from the Commonwealth's Health Insurance carriers through a consolidated database.
- Procuring data analysis services to establish and maintain a comprehensive database of eligibility, claims, and using data necessary to manage the Commonwealth's Public Employee Health Insurance Program;
- Facilitating the monthly meetings of the Kentucky Group Health Insurance Board and provide information to the board at its request, and
- Facilitating the quarterly meetings of the Employee Advisory Committee and provide information to the committee at its request.

# Responsibilities

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## Department for Personnel Administration

The Commissioner of the Department for Personnel Administration is responsible for applicant counseling and processing, maintaining and updating selection method criteria, maintaining employee records, creation and evaluation of job classifications and appropriate compensation level, state payroll operations and the employee performance evaluation system.

The department consists of the Division of Employee Management, the Division of Staffing Services and the Systems Support Branch. Eighty (80) employees from these areas work within nine branches to deliver service to state employees and applicants for state employment.

### Division of Employee Management

This division prepares and maintains job classification and compensation plans for state employees covered by KRS 18A, including the review of all personnel actions, job audits, revision of class specifications, and salary surveys. The division maintains all state employee personnel records and administers all payroll functions.

### Division of Staffing Services

This division has five broad areas of responsibility: processing of applicants, applicant counseling, determination of selection methods, examination construction and maintenance of employment registers. Within these areas are the duties of examination research and development; review of applicants for minimum requirements; providing information concerning state government employment, administration, grading and processing of examinations to applicants and employees; maintenance of register files; verification of applicant information; and certification of merit registers.

### Systems Management Branch

This branch is responsible for providing technical support for the Personnel Cabinet including network, server and desktop services; web site support; and IT consulting services for new technologies.

# Accomplishments

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## Office of the Secretary

### Equal Employment Opportunity Office

The office monitors the employment goals for state government and releases a report twice a year called the Semi-Annual Report on Minority Employment.

The goals for minority employment were raised this year based on data from the 2000 U.S. Census from 7.51% to 10.00%. The goal for female employment remained the same at 52.42%. As of June 30, 2005, the percentage of minority employees for state government was 8.35%. For females the percentage was 49.88%.

There are three cabinets that exceeded the goals for minority and female employment, the Cabinet for Economic Development, the Cabinet for Health and Family Services and the Personnel Cabinet.

The Governor's Minority Management Trainee Program had 13 active participants, all of whom completed the requirements of the Program by June 30, 2005.

(Note: See charts pages 9-10.)

# Accomplishments

## EQUAL EMPLOYMENT OPPORTUNITY DATA As of June 30, 2005

<b>Personnel Cabinet Minority Utilization Table</b>						
<b>EEO JOB CATEGORY</b>	<b>Total Employees</b>	<b>Total Minority Employees</b>	<b>Minority % Goal</b>	<b>Current Minority %</b>	<b>UNDER UTILIZED</b>	<b>No. Minority Needed</b>
OFFICIALS & ADMINISTRATORS	33	3	10.00%	9.09	YES	.3
<b>PROFESSIONALS</b>	<b>143</b>	<b>17</b>	<b>10.00%</b>	<b>11.89</b>	<b>NO</b>	<b>0</b>
<b>TECHNICIANS</b>	<b>8</b>	<b>1</b>	<b>10.00%</b>	<b>12.5</b>	<b>NO</b>	<b>0</b>
PROTECTIVE SERVICE WORKERS	N/A	N/A	10.00%	N/A	N/A	N/A
PARA PROFESSIONAL	7	0	10.00%	0.0	YES	.7
OFFICE & CLERICAL	15	1	10.00%	6.67	YES	.5
CRAFTSMEN	N/A	N/A	10.00%	N/A	N/A	N/A
SERVICE MAINTENANCE	N/A	N/A	10.00%	N/A	N/A	N/A
<b>TOTAL</b>	<b>206</b>	<b>22</b>		<b>10.68</b>		<b>1.5</b>

<b>Personnel Cabinet Female Utilization Table</b>						
<b>EEO JOB CATEGORY</b>	<b>Total Employees</b>	<b>Total Female Employees</b>	<b>Female % Goal</b>	<b>Current Female %</b>	<b>UNDER UTILIZED</b>	<b>No. of Female Needed</b>
OFFICIALS & ADMINISTRATORS	33	15	52.42%	45.45	YES	2.3
<b>PROFESSIONALS</b>	<b>143</b>	<b>110</b>	<b>52.42%</b>	<b>76.92</b>	<b>NO</b>	<b>0</b>
<b>TECHNICIANS</b>	<b>8</b>	<b>7</b>	<b>52.42%</b>	<b>87.5</b>	<b>NO</b>	<b>0</b>
PROTECTIVE SERVICE WORKERS	N/A	N/A	52.42%	N/A	N/A	N/A
PARA PROFESSIONAL	7	7	52.42%	100	NO	0
OFFICE & CLERICAL	15	15	52.42%	100	NO	0
CRAFTSMEN	N/A	N/A	52.42%	N/A	N/A	N/A
SERVICE MAINTENANCE	N/A	N/A	52.42%	N/A	N/A	N/A
<b>TOTAL</b>	<b>206</b>	<b>154</b>		<b>74.76</b>		

# Accomplishments

Statewide Minority Utilization Table						
EEO JOB CATEGORY	Total Employees	Total Minority Employees	Minority % Goal	Current Minority %	UNDER UTILIZED	No. Minority Needed
OFFICIALS & ADMINISTRATORS	3057	199	10.00%	6.51	YES	106.7
PROFESSIONALS	16253	1352	10.00%	9.32	YES	273.3
TECHNICIANS	1818	115	10.00%	6.33	YES	66.8
PROTECTIVE SERVICE WORKERS	3291	248	10.00%	7.54	YES	81.1
<b>PARA PROFESSIONAL</b>	<b>2529</b>	<b>362</b>	<b>10.00%</b>	<b>14.31</b>	<b>NO</b>	<b>0.0</b>
OFFICE & CLERICAL	2595	184	10.00%	7.09	YES	75.5
CRAFTSMEN	2627	157	10.00%	5.98	YES	105.7
<b>SERVICE MAINTENANCE</b>	<b>2435</b>	<b>273</b>	<b>10.00%</b>	<b>11.21</b>	<b>NO</b>	<b>0</b>
<b>TOTAL</b>	<b>34,605</b>	<b>2890</b>		<b>8.35</b>		

Statewide Female Utilization Table						
EEO JOB CATEGORY	Total Employees	Total Female Employees	Female % Goal	Current Female %	UNDER UTILIZED	No. Female Needed
OFFICIALS & ADMINISTRATORS	3057	1239	52.42%	40.53	YES	363.5
<b>PROFESSIONALS</b>	<b>16253</b>	<b>9342</b>	<b>52.42%</b>	<b>57.48</b>	<b>NO</b>	<b>0.0</b>
TECHNICIANS	1818	697	52.42%	38.34	YES	256
PROTECTIVE SERVICE WORKERS	3291	536	52.42%	16.29	YES	1189.1
<b>PARA PROFESSIONAL</b>	<b>2529</b>	<b>1959</b>	<b>52.42%</b>	<b>77.46</b>	<b>NO</b>	<b>0.0</b>
<b>OFFICE &amp; CLERICAL</b>	<b>2595</b>	<b>2217</b>	<b>52.42%</b>	<b>85.43</b>	<b>NO</b>	<b>0.0</b>
CRAFTSMEN	2627	160	52.42%	6.09	YES	1217.1
SERVICE MAINTENANCE	2435	1111	52.42%	45.63	YES	165.4
<b>TOTAL</b>	<b>34,605</b>	<b>17,261</b>		<b>49.88</b>		

# Accomplishments

## Kentucky Public Employees' Deferred Compensation Authority

The Kentucky Public Employees' Deferred Compensation Authority (Authority) is a "voluntary" supplemental retirement benefits program available to Kentucky public employees (this includes employees of state government agencies, public school systems, state universities and local government entities).

Kentucky's Deferred Compensation plans have again this fiscal year maintained their high ranking among the other Government Deferred Compensation plans. Based on the most recent survey data provided by the National Association of Government Defined Contribution Administrators (NAGDCA) for IRC Section 457 Plans, the Kentucky Authority is 21<sup>st</sup> in the nation both in terms of 457 Plan assets and the number of participants and 8<sup>th</sup> with respect to the 401(k) Plan. According to the latest NAGDCA survey, Kentucky also continues to rank ahead of several more populous states. A separate report indicated Kentucky ranked 9<sup>th</sup> in assets and 8<sup>th</sup> in participants for those states reporting both 457 and 401(k) Plans.

To further emphasize the magnitude of the Kentucky program's size, an article in Pensions & Investments magazine surveying the largest 1,000 public defined contributions plans ranked Kentucky Deferred Compensation as the 25<sup>th</sup> largest program in terms of total plan assets.

During fiscal year 2004-2005 the Authority Board:

1. Elected to maintain the existing participant asset fee schedule. This decision resulted from the anticipated continuation of turbulent equity market conditions as well as participants' requests to transfer a substantial amount of assets to the various retirement systems to purchase service credits. This is the 3<sup>rd</sup> consecutive year the Board was unable to authorize a participant fee reduction. However, fee reductions were authorized in 6 of the previous 9 years, resulting in a recurring annual savings to participants of approximately \$3.1 million. The total accumulated annual savings has now reached approximately \$17 million.
2. Reduced the Authority's FY 2005 record keeping costs by approximately \$300,000 due to the 'not to exceed' maximum fee provision previously negotiated with the record keeper. This provision was introduced into the record keeping contract July 1, 2000 and has resulted in total savings to the Authority and its participants of more than \$1.1 million.
3. Upon receipt of final 457 Plan regulations from the Internal Revenue Service (IRS), the Authority prepared and submitted an amended and restated 457 Plan document to the IRS for a Private Letter Ruling.

# Deferred Compensation Authority

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4. Completed the rigorous Request for Proposal process for record keeping, marketing, communications and investment consulting and advice. New 3-year contracts for each of these services became effective July 1, 2005.
5. Initiated a retention of assets campaign directed at participants who have been identified as at risk to rollover their account(s) to an outside private financial institution. A total of 167 participants have been identified and are scheduled to begin the receipt of a series of asset retention communications and individual visits from Authority marketing staff.
6. Began development of a new concept for the Authority which has been entitled Retirement Readiness. This new concept when completed will enable participants to consolidate all their supplemental retirement savings plans under a single program. The Authority program is being billed as your supplemental retirement program for life. It is intended to simplify retirement savings and reduce participants administrative costs. When fully implemented the program will consist of the 457 plan, 401(k) plan, deemed IRAs, a Roth 401(k) account and a 403(b) plan.

In addition, the Authority has achieved yet another record-breaking year in terms of participation and plan assets. Assets at June 30, 2005 were approximately \$108 million higher than at the end of fiscal year 2004.

The following graphs, charts and tables represent the combined results from the Authority's 457 and 401(k) supplemental retirement plans through June 30, 2005:

- *Participant Volume* – Graph 1 and the accompanying table substantiate the phenomenal growth rate the Authority continues to experience. The number of plan participants (with account balances) increased from 62,437 as of June 30, 2004 to 64,689 at June 30, 2005. This represents an increase of 2,252 participants or a 3.6% increase as of the 2005 fiscal year end.
- *Plan Assets* – Graph 2 and the accompanying table shows that 2004 plan assets, on a calendar year basis, were noticeably greater than for 2003 (2004 - \$1.118 billion vs. 2003 - \$1.003 billion). Assets, on a fiscal year basis, have also increased substantially from \$1.045 billion as of June 30, 2004 to \$1.153 billion on June 30, 2005, representing a \$108 million or approximately a 10% increase.
- *Plan Trends* – Several important trends continued during fiscal year 2004-2005 within the Deferred Compensation program.

*Investments* – Graph 3 indicates for the 9<sup>th</sup> time in 10 years, quarterly participant investments have increased. Quarterly participant investments increased significantly from \$25.3 million as of June 30, 2004 to \$31.5 million as of June 30, 2005. This is an increase of \$6.2 million or approximately 25%.

# Deferred Compensation Authority

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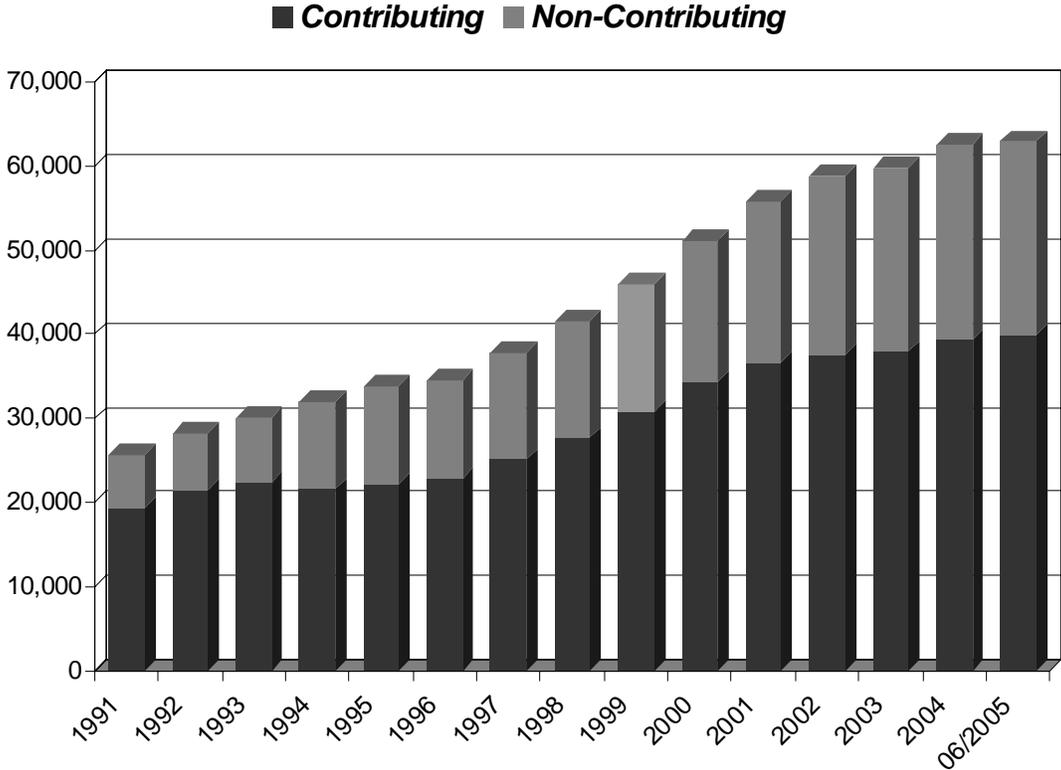
*Plan Assets Allocation* – Graph 4 and the accompanying table demonstrates that for a 10<sup>th</sup> consecutive year, participants invested more into the mutual funds than into the Fixed Contract Fund (FCF). This is also the 9<sup>th</sup> consecutive year in which investments into the mutual funds were greater than into the FCF in ‘each’ quarter of the year. Graph 5 indicates the allocation of assets is now \$681 million (59.1%) in the stock mutual funds, \$67 million (5.8%) in the bond mutual funds/money market fund and \$388 million (33.6%) in the FCF. The remaining 1.5% or \$17 million represents insurance company benefit accounts and participant loans.

*Investments* – Graph 6 demonstrates annual investments decreased slightly this fiscal year and totaled \$113.3 million compared to \$114.1 million at June 30, 2004, representing a \$0.8 million or 0.7% decrease. This decrease was primarily due to the inability of certain participants to make lump sum deferrals into the 457 Plan. The percentage of the investments into the 401(k) Plan versus the 457 Plan increased approximately 3% to approximately 66%. For the fiscal year ended June 30, 2005, the dollars invested in the 401(k) Plan exceeded those invested in the 457 Plan by nearly \$36 million. This disparity has increased primarily as a result of participants inability to purchase air time with the various retirement systems from the 457 Plan.

The Authority currently offers participants 31 investment options to select from. The investment spectrum ranges from conservative – to – moderate – to – aggressive. This spectrum of investments consists of 25 mutual funds, 4 target life cycle funds, 1 money market fund and 1 stable value or fixed fund product.

(Note: See charts pages 14 through 22.)

## Total Participants by Year (With Account Balances) As of June 30, 2005



**Graph 1**

# Deferred Compensation Authority

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## **Total Participants by Year (With Account Balances) 1991 until June 30, 2005**

1991	26,691
1992	29,146
1993	30,188
1994	32,024
1995	33,781
1996	34,589
1997	37,330
1998	41,016
1999	46,187
2000	51,099
2001	55,749
2002	58,756
2003	59,773
2004	62,437
6/30/2005	64,689

**Table 1**

# Deferred Compensation Authority

## Asset Growth by Year

(Excluding Life Insurance and Uninvested Receipts)

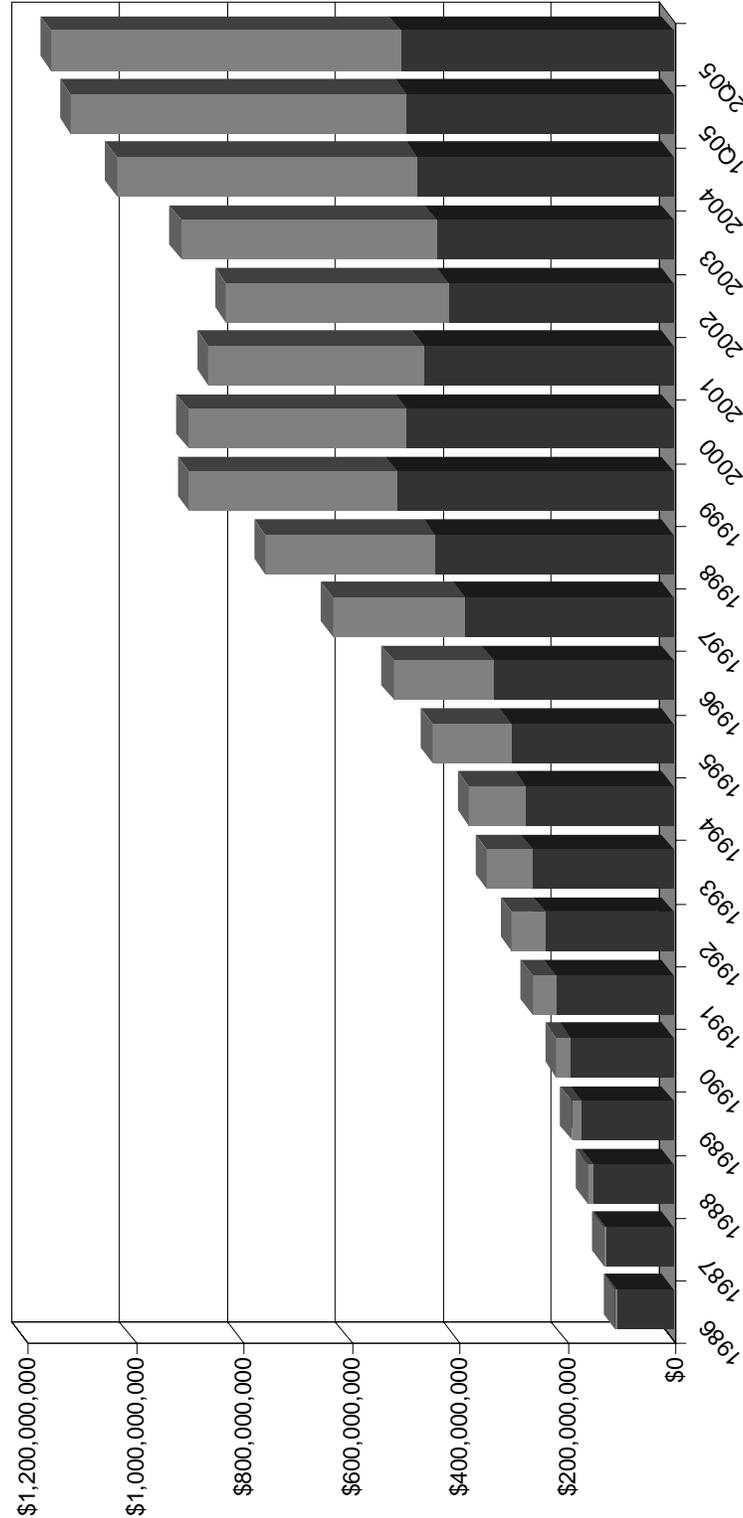
Participant Accounts  
 457 Plan 24,890  
 401(k) 53,328

Assets

457 Plan \$506,238,183.19  
 401(k) \$646,409,181.40

Calendar YTD Increase 3.07%

■ 457 (Plan I) ■ 401(k) (Plan II)



Calendar Year Ending

Graph 2

# Deferred Compensation Authority

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## **Asset Growth by Year**

(Excluding Life Insurance and Uninvested Receipts)

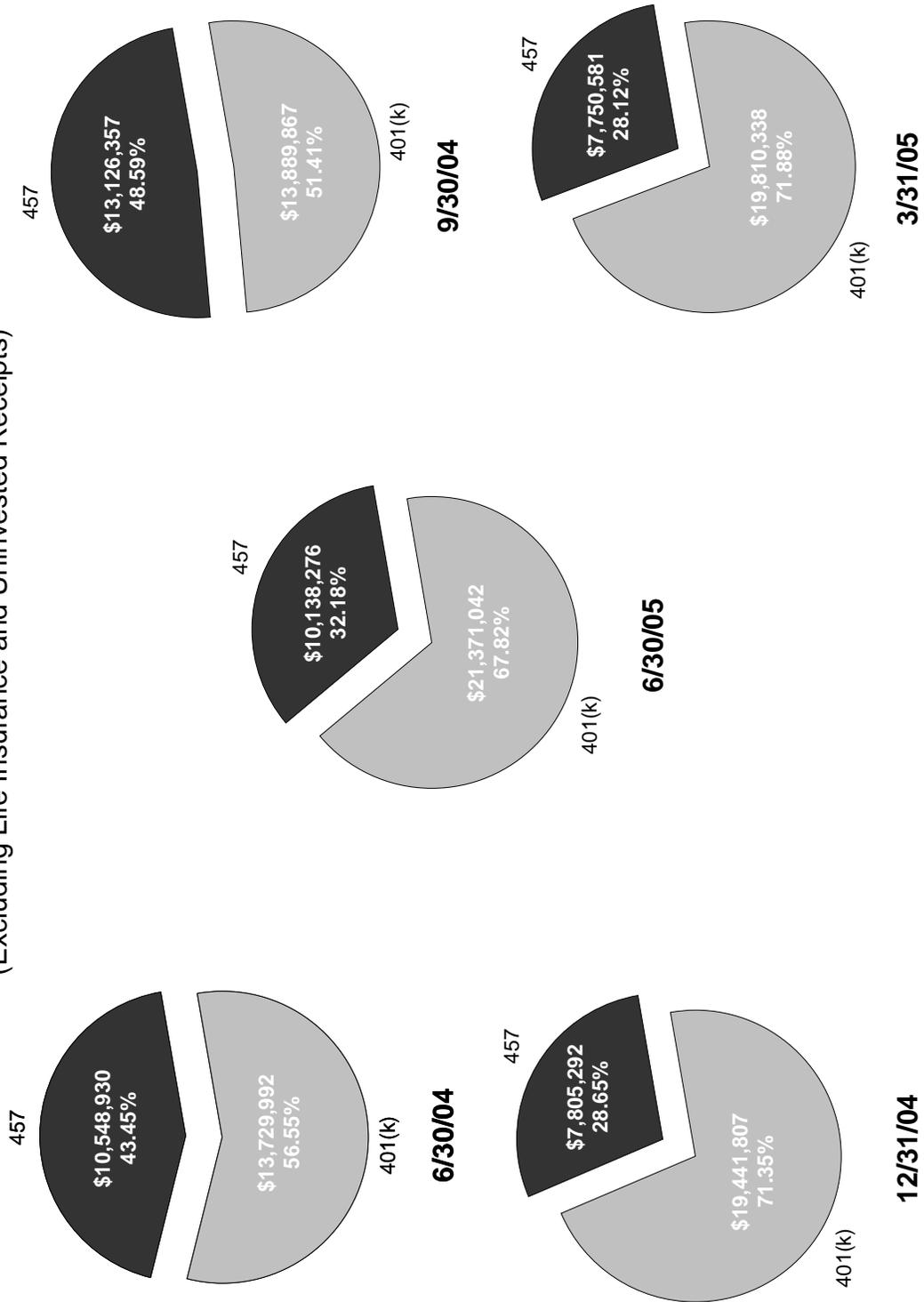
<b>Year</b>	<b>Assets</b>
12/31/1991	\$260,551,464
12/31/1992	\$299,421,872
12/31/1993	\$345,628,472
12/31/1994	\$377,971,229
12/31/1995	\$445,688,072
12/31/1996	\$518,994,025
12/31/1997	\$631,499,204
12/31/1998	\$755,721,008
12/31/1999	\$897,692,891
12/31/2000	\$899,064,718
12/31/2001	\$892,252,657
12/31/2002	\$827,735,663
12/31/2003	\$1,002,971,334
12/31/2004	\$1,118,341,380
6/30/2005	\$1,152,647,365

**Table 2**

# Deferred Compensation Authority

## Deferral Investments By Quarter

(Excluding Life Insurance and Uninvested Receipts)

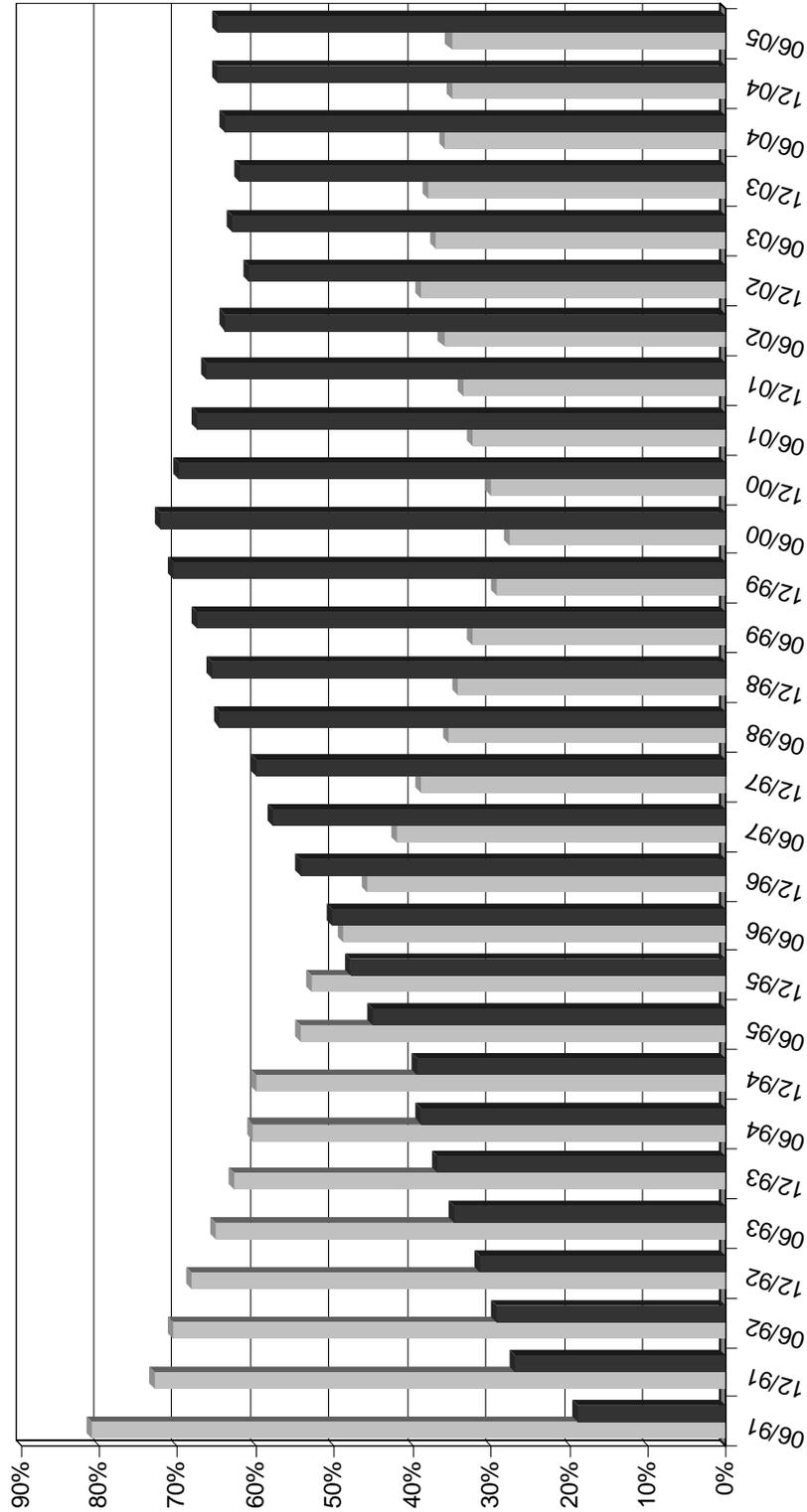


Graph 3

# Deferred Compensation Authority

## Percentage Allocation of Assets (Excluding Life Insurance and Uninvested Receipts)

■ Fixed Contract, Payouts, & Loans ■ Mutual Funds & Variable Annuity



Month End/Year

Graph 4

# Deferred Compensation Authority

## Assets - Fixed and Variable

Second Quarter 1998 to Second Quarter 2005

Year	Fixed	Variable
6/98	\$241,314,310	\$460,551,898
12/98	\$251,352,384	\$503,980,246
6/99	\$256,551,756	\$561,120,867
12/99	\$274,967,238	\$622,725,653
6/00	\$268,524,880	\$651,705,621
12/00	\$259,967,624	\$639,097,095
6/01	\$277,977,742	\$639,097,095
12/01	\$289,017,828	\$592,069,637
6/02	\$292,352,027	\$541,020,876
12/02	\$319,540,391	\$508,195,322
06/03	\$330,321,165	\$565,503,670
12/03	\$346,607,857	\$656,227,878
06/04	\$356,360,773	\$688,354,792
12/04	\$372,453,803	\$745,887,577
06/05	\$387,788,869	\$764,858,495

Table 3

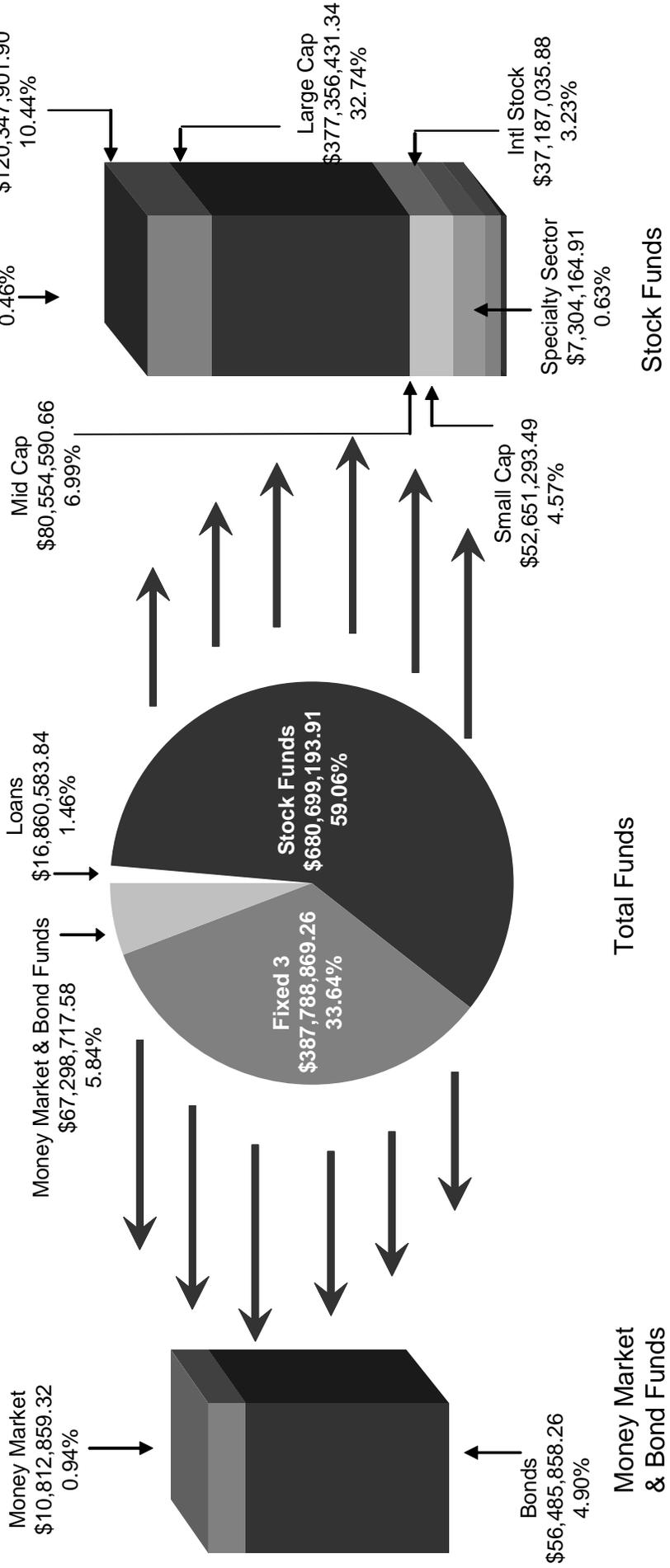
# Allocation of Plan Assets

As of June 30, 2005

(Excluding Life Insurance and Uninvested Receipts)

(Dollars in Millions)

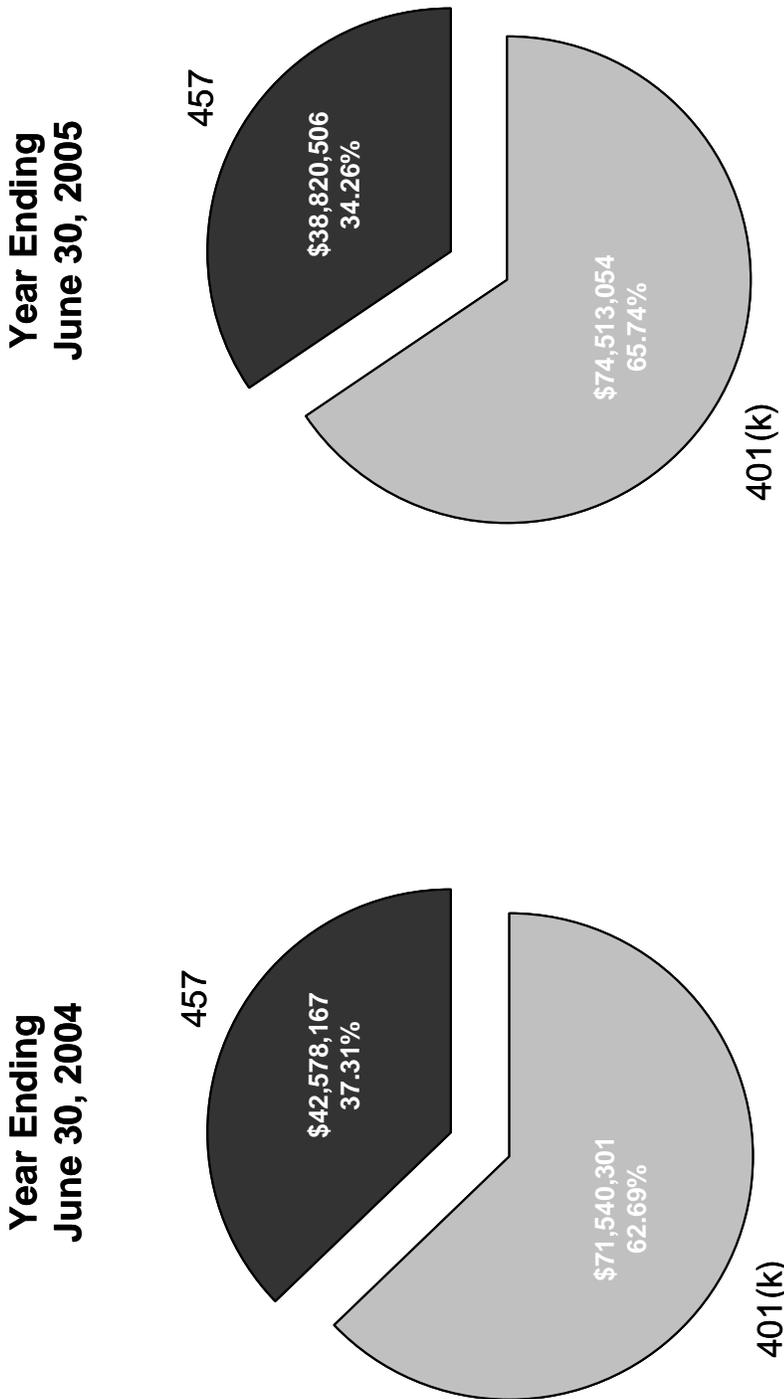
Fixed Contract & Loans	35.10%
Money Market and Bond Funds	5.84%
Stock Funds	59.06%



Graph 5

# Deferred Compensation Authority

## Annual Deferral Investments (Excluding Life Insurance)



Graph 6

# Accomplishments

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## Office of Administrative Services

### Administrative Services Branch

The Office of Administrative Services provides fiscal and human resources management for the Personnel Cabinet. In the fiscal year ending June 30, 2005, the office added new responsibilities and had a number of accomplishments. The office managed the accounting and position changes necessary to change from a department to a cabinet, and the reorganization was seamless. In the course of the fiscal year, the office moved the cabinet to electronic time reporting from what had been a more paper-driven system. The result has been an increase in accuracy and a reduction in the time and cost required to submit time and attendance data. Staff integrated the Office of Government Training into the Personnel Cabinet, purchased replacement hardware and software for the Office, and assisted in the development of a new performance-based lease with Kentucky State University. The Administrative Services Branch began collecting premiums associated with a new self-insured health insurance program in two regions in Kentucky and has tracked and balanced the program's funds. The Office of the State Budget Director approved accounting for the new self-insured program that allows the Department for Employee Insurance to retain interest income. After the Kentucky General Assembly passed House Bill 1 and authorized payments of state funds to quasi-state agencies to help defray the added cost of health insurance, the Administrative Services Branch successfully accounted for and distributed the funding to over two hundred (200) agencies. Expenditures during the fiscal year were uniformly under budget.

On June 30, 2005, the cabinet had 206 permanent full-time employees, two part-time employees, and ten (10) interim employees for a total of 218 employees. That marks an increase of twelve employees over the course of the fiscal year.

Personnel Cabinet Expenditures 2004-2005 Fiscal Year

Organizational Unit	Personnel & Contracts	Operating	Capital	TOTAL
<b>Secretary's Office</b>				
Office of the Secretary	\$ 703,177	\$ 94,562	\$ -	\$ 797,739
Office of Administrative and Legal Services	\$ 1,459,567	\$ 293,046	\$ -	\$ 1,752,613
Deferred Compensation Authority	\$ 4,250,949	\$ 298,854	\$ -	\$ 4,549,803
Office Governmental Training	\$ 1,026,861	\$ 322,768	\$ 25,358	\$ 1,374,987
<b>Subtotal</b>	<b>\$ 7,440,554</b>	<b>\$ 1,009,230</b>	<b>\$ 25,358</b>	<b>\$ 8,475,142</b>
<b>Department of Employee Insurance</b>				
Health Insurance Administration	\$ 4,459,594	\$ 818,314	\$ -	\$ 5,277,908
Commonwealth Choice	\$ 46,930	\$ 284,839	\$ -	\$ 331,769
<b>Subtotal</b>	<b>\$ 4,506,524</b>	<b>\$ 1,103,153</b>	<b>\$ -</b>	<b>\$ 5,609,677</b>
<b>Department for Employee Relations</b>				
Commissioner's Office	\$ 250,099	\$ 72,416	\$ -	\$ 322,515
Communications and Recognition	\$ 325,437	\$ 62,884	\$ -	\$ 388,321
Kentucky Employee Assistance Program	\$ 270,006	\$ 50,075	\$ -	\$ 320,081
Life Insurance Administration	\$ 293,580	\$ 79,304	\$ -	\$ 372,884
Workers' Compensation	\$ 17,941,230	\$ 956,060	\$ -	\$ 18,897,290
<b>Subtotal</b>	<b>\$ 19,080,352</b>	<b>\$ 1,220,739</b>	<b>\$ -</b>	<b>\$ 20,301,091</b>
<b>Department for Personnel Administration</b>				
Commissioner's Office	\$ 194,531	\$ 30,174	\$ -	\$ 224,705
Employee Management	\$ 1,650,378	\$ 1,358,135	\$ -	\$ 3,008,513
Staffing Services	\$ 1,752,408	\$ 682,975	\$ -	\$ 2,435,383
<b>Subtotal</b>	<b>\$ 3,597,317</b>	<b>\$ 2,071,284</b>	<b>\$ -</b>	<b>\$ 5,668,601</b>
<b>Capital Construction</b>				
On-line Access to Emp Records	\$ -	\$ -	\$ -	\$ -
New Personnel Payroll System	\$ -	\$ -	\$ -	\$ -
Expand KY Employee Self Service	\$ -	\$ -	\$ -	\$ -
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL</b>	<b>\$ 34,624,747</b>	<b>\$ 5,404,406</b>	<b>\$ 25,358</b>	<b>\$ 40,054,511</b>

# Accomplishments

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## Office of Legal Services

During the fiscal year 2004-2005, the Office of Legal Services:

- Wrote approximately 46 opinion letters, memorandums or other personnel-related documents (not including case pleadings) and responded to numerous other questions and inquiries by e-mail and phone calls.
- Reviewed, approved or consulted on approximately 671 disciplinary action letters including 490 suspensions, 127 dismissals for cause and 54 special leave investigations.
- Reviewed, consulted on, and approved approximately 1,635 terminations.
- Reviewed and consulted with agency attorneys and administrators with respect to 464 appeals filed with the Personnel Board.
- Represented the Personnel Cabinet in 147 appeals filed with the Personnel Board.
- Process 469 requests submitted under the Kentucky Open Records Act and notified agencies and employees in appropriate cases.
- Reviewed and determined eligibility for employment on 984 applicant police check files.
- Made presentations to the Governor's EEO Conference, and training sessions conducted by the Personnel Cabinet for personnel administrators, and personnel executives.
- Consolidated all legal services in the Personnel Cabinet into one office in order to provide integrated and effective legal services.
- Wrote approximately 18 opinion letters, memorandums or other health insurance related documents (not including case pleadings), and responded to numerous other questions and inquiries by e-mail, letters, and phone calls.
- Wrote approximately eight (8) contracts for health insurance, one (1) contract for Health Information Management Services, four (4) business associate agreements, three (3) Confidentiality and Indemnification Agreements, and one (1) Notice of Privacy Practices.
- Provided HIPAA training internally and to all temporary employees; obtained HIPAA agreements for all temporary and contract employees.
- Provided COBRA training to all insurance coordinators regarding COBRA final regulations.
- Developed new COBRA notices to comply with regulatory changes.
- Participated in the writing of the health insurance RFP; participated in the review and scoring of the responses.
- Analyzed and wrote comments on approximately 35 House and Senate Bills introduced during the 2005 Session of the General Assembly that impacted personnel issues.

# Accomplishments

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## Office for Employee Relations

This office includes the Executive Director's Office and two divisions, the Division of Communication and Recognition and the Division of Employee Benefits. The employee benefits division includes safety, workers' compensation, return to work and life insurance programs. The employee services and recognition division includes the KY Employee Assistance Branch, the Employee Suggestion System, service awards, the KY Employee Mediation Program, the Family and Medical Leave Act, adoption and sick and annual leave sharing programs, and the Americans with Disabilities Act.

In addition, the Office for Employee Relations coordinates the Personnel Cabinet's Annual Employee Appreciation Day, which is a part of Public Employee Recognition Week each fall and the annual Governor's EEO Conference including registration, development, and scheduling of workshops and general sessions for more than 300 participants.

### Division of Communications and Recognition

- Edited, published and distributed *Commonwealth Communiqué*, a bi-monthly, Web-based, electronic newsletter, for all state government employees across the Commonwealth (approximately 40,000).
- Edited, published and distributed the *Personnel Perspective*, a monthly newsletter for all Personnel Cabinet employees, and also edited other publications by request.
- Photographed Cabinet events and edited photos for publication.
- Compiled and edited the FY 2004-2005 Personnel Cabinet Annual Report.

### Employee Recognition Branch

- The Personnel Answer Line, 1-866-PAL-LINE (725-5463), was established in an effort to communicate the Cabinet's philosophy of openness. The staff makes every effort to answer questions concerning personnel issues for state employees and the general public. During FY 2004-2005, 2,213 calls were answered.
- Awards totaling \$13,423 were presented to 24 employees through the Employee Suggestion System. These suggestions represented a first-year savings of \$271,416 for FY 2004-2005.
- Career Service Certificates for 16, 20, and 25 years of service plus every 5 years thereafter were processed for 1,784 employees. Recognition Certificates were processed for 1,849 employees with 5 and 10 years of service, plus service pins were presented to 621 employees with 16 or more years of service.
- Retirement Certificates were presented to 3,827 employees.

# Office for Employee Relations

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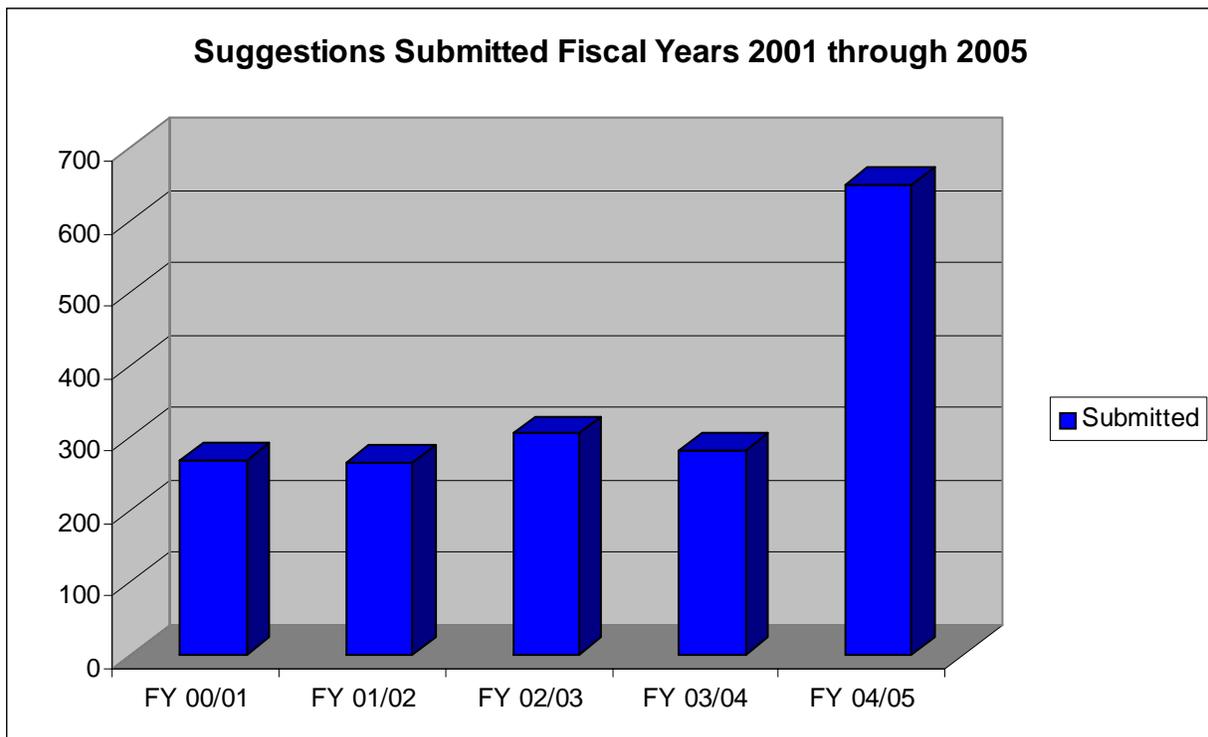
## Employee Suggestion System

State government employees can now use a new internet-based system to submit suggestions on making state government more efficient, thanks to the newly-launched Employee Suggestion System Web site. The newly enhanced system puts Kentucky on top in recognizing and managing the ideas of employees.

The Personnel Cabinet partnered with IDMS, a Kentucky-based solutions development firm, to deliver a system that takes advantage of the best practices in the area of idea management. The concept of the traditional system was revolutionized to provide consistent submissions, approval and notification.

Employees can now submit their suggestions by utilizing a new on-line form. The form is simple, user-friendly, and fast. Employees receive immediate confirmation and are able to track their suggestions.

Since launching the new system, January 28, 2005, the number of suggestions submitted has greatly increased. Fiscal year 2003-2004, 282 suggestions were submitted compared to 651 submitted this fiscal year.



# Office for Employee Relations

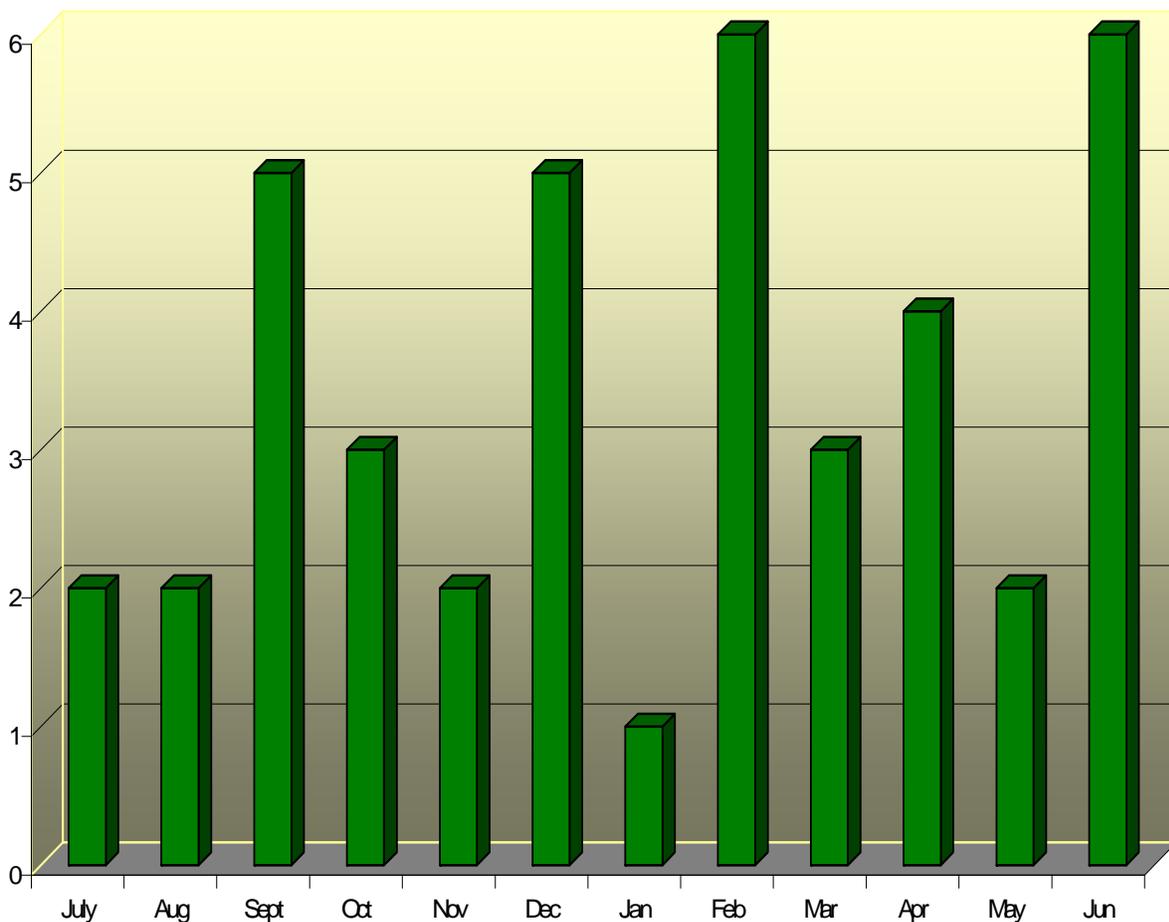
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## Workplace Relations Branch

The Kentucky Employee Mediation Program trained 6 new mediators, making a total of 12 part-time mediators. There were 41 mediations conducted, 17 of which were referred by the Personnel Board.

There were 192 inquiries about the program. Twenty-five (25) educational sessions were provided, with 543 employees in attendance.

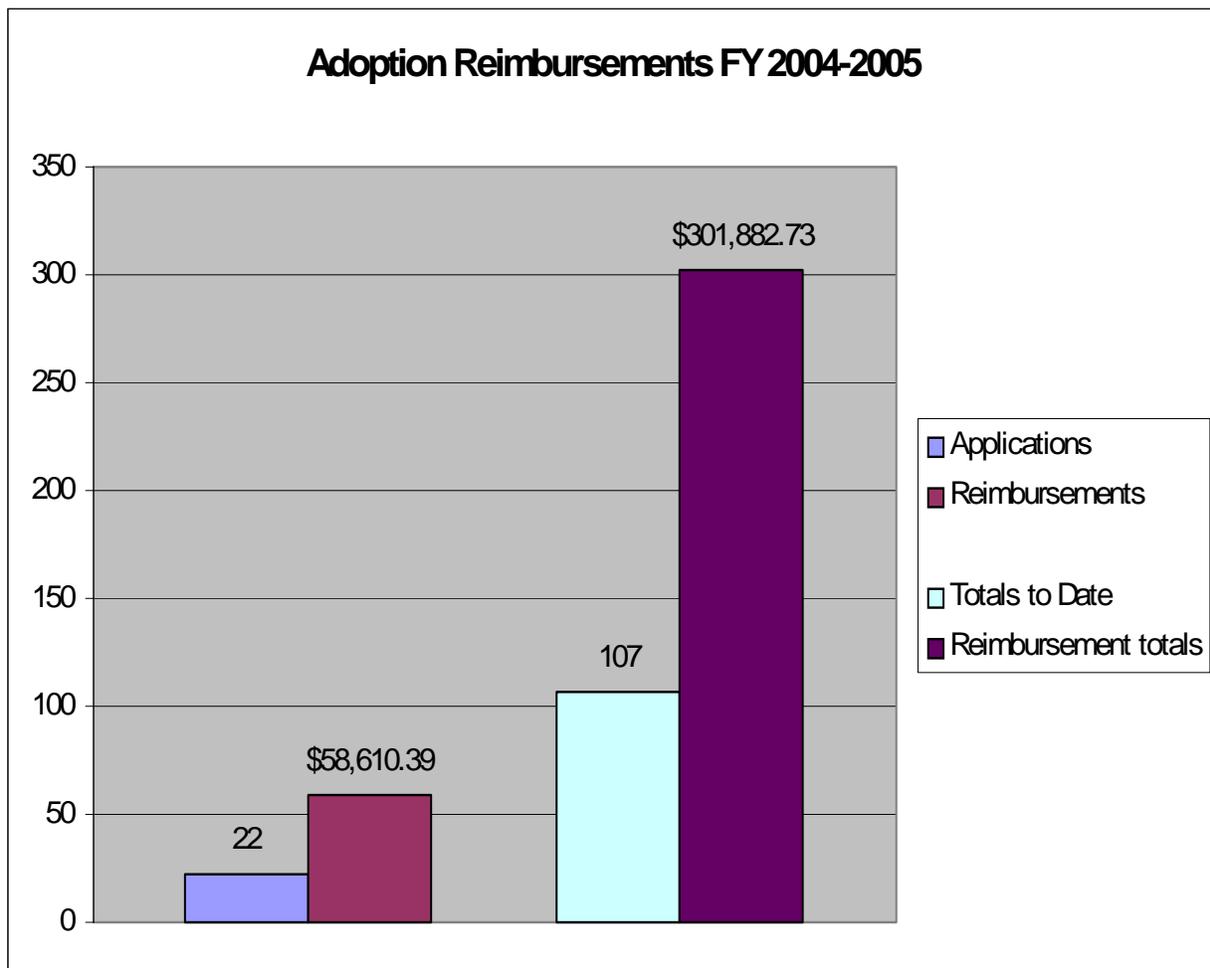
Mediations  
Fiscal Year 2004/2005



# Office for Employee Relations

## Division of Employee Benefits

This division includes the administration of the Sick Leave and Annual Leave Sharing Programs, the Family Medical Leave Act (FMLA), and the Adoption Benefits Program. The Adoption Benefits Program assists executive branch state employees with reimbursement of eligible expenses incurred in the adoption of a child. During FY 2004-2005, the division approved 22 applications for reimbursement of expenses that totaled \$58,610.39. This brings the program to a total of 107 approvals, totaling \$301,882.73 since its inception.



# Office for Employee Relations

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## The Kentucky Safety Program

On June 16, 2005, Governor Fletcher signed an executive order which establishes the Executive Safety Advisory Committee to be chaired by the Personnel Cabinet. The order brings representatives from all cabinets together for strategic planning to develop and promote workplace safety. In addition, the Kentucky Safety Program has established goals to increase safety awareness, reduce the number of accidents and associated workers' compensation costs and to develop a safety incentive program.

The Kentucky Safety Program has expanded to work directly with the Workers' Compensation and Return-to-Work Programs in an effort to focus on safety and prevention of workplace accidents.

A safety consultant was hired to assist with program assessment and development, and to ensure a statewide effort.

During this fiscal year, we have initiated a total revision of the state safety manual. This effort will provide online access to the safety manual and training programs.

Twenty-six interagency supervisor trainings were conducted with approximately 455 participants.

Six blood drives were held with 676 units of blood being donated by state employees.

All fire extinguishers in the Personnel Cabinet have been recertified and assured compliant. This includes the offices located at Fair Oaks Lane, Teton Trail and the Deferred Compensation office.

One fire drill and one severe weather drill were conducted in conjunction with statewide safety planning groups.

# Office for Employee Relations

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## Group Life Insurance Administration Branch

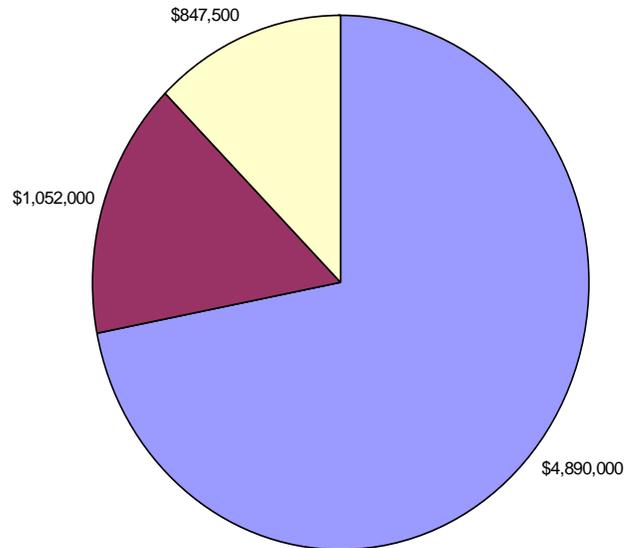
- The current basic life insurance and accidental death and dismemberment (AD&D) rate per thousand is \$ 0.093. The Group Life Insurance Administration Branch provides all administrative services for the state sponsored life insurance contract including: maintaining the eligibility data base, enrollment processing, bill generation and payment processing, refunds, customer service, claims processing and distribution of materials.
- The life insurance contract was awarded to Prudential Financial Insurance effective July 1, 2005. The contract will be for two years expiring on June 30, 2007. At that time, we will have two one-year renewable options with Prudential. The basic rate was decreased from \$2.16 to \$1.86 per employee, per month for the state paid life policy of \$20,000.
- Each optional age group for the optional coverage was increased by \$.02 per age bands, while the five dependent plans remained the same rates as the previous contract.
- The Group Life Insurance Administration Branch administers group life insurance for eligible employees at 421 locations.

√	State Agency	152
√	Board of Education(roster)	163
√	Board of Education(individual)	20
√	Health Department	54
√	Quasi Agencies	32

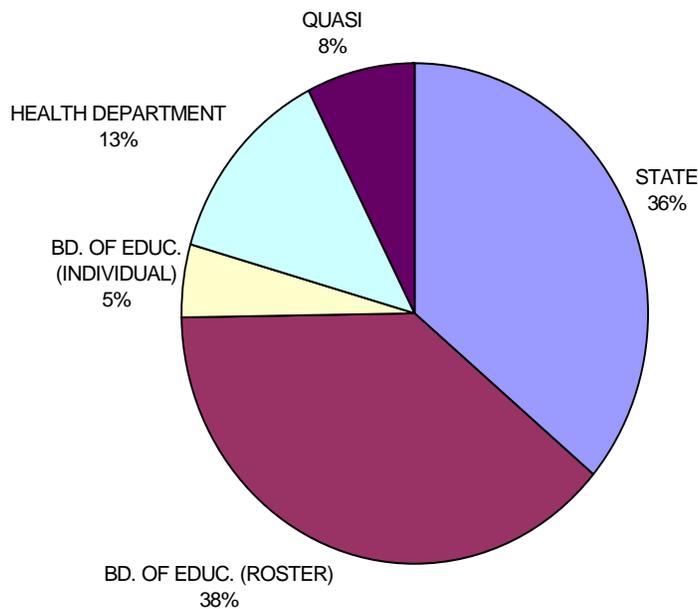
- The Group Life Insurance Administration Branch provides basic life insurance and AD&D coverage for 139,133 employees. The additional coverage includes 14,737 optional policies and 12,228 dependent plans.
- The branch processed 376 claims.
  - √ 242 Basic Insurance and AD&D Claims  
Total Basic/AD&D Benefits Paid \$4,890,000.
  - √ 39 Optional Insurance and AD&D Claim  
Total Optional/AD&D Benefits Paid \$1,052,000
  - √ 95 Dependent Group Life Claim  
Total Dependent benefits paid \$847,500

(Note: See Charts pages 32.)

## GROUP LIFE INSURANCE 2004-2005 DEATH CLAIMS



## 2004 - 2005 GROUP LIFE INSURANCE NUMBER OF LOCATIONS



■ STATE 
 ■ BOE (ROSTER) 
 ■ BOE (INDIVIDUAL) 
 ■ HEALTH DEPARTMENT 
 ■ QUASI

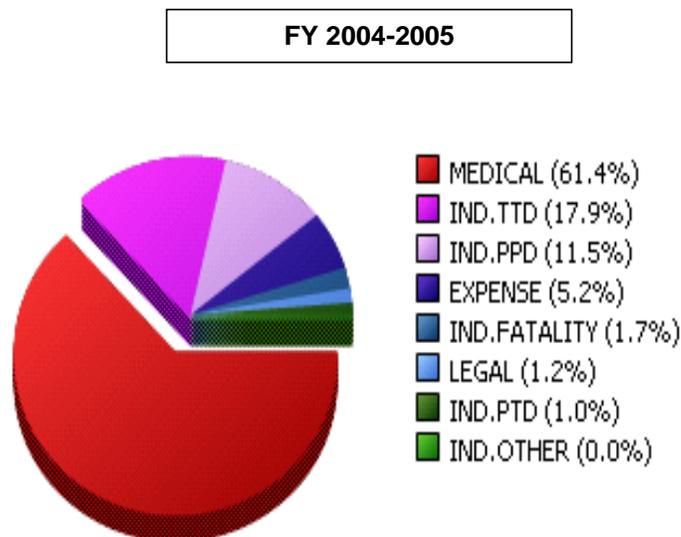
# Office for Employee Relations

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## Workers Compensation Branch

The Workers Compensation Branch has been designing and implementing an internal computer imaging system to increase the efficiency of the program. We also have made our manual and forms available on our website to streamline workers' compensation reporting. A new third party administrator was selected to provide new technology to the Workers' Compensation Branch. The branch will have full access to workers' compensation claims online and will be able to run reports as needed to analyze injuries and costs over time. This will allow us to develop specific safety and return to work programs and a long term strategy for reducing injuries. Preparations and planning have been made during this fiscal year to utilize managed care for medical benefits in workers' compensation for more efficient medical management and cost control.

- To date, the Workers' Compensation Branch has received and processed 5,139 First Report of Injuries for injuries occurring in FY 2004-05.
- The branch has continued to provide coverage for approximately 95,000 employees in all 120 counties throughout the Commonwealth.
- The branch has continued to provide coverage for approximately 30,000 volunteer ambulance and volunteer firefighters in 118 counties in the Commonwealth.
- The branch has received and processed 1,687 temporary total disability benefit checks.
- There has been \$150,096.06 in subrogation recoveries received during FY 2004-2005. (These credits were deducted from the respective employer's premium charges.)
- Total number of claims set-up by this branch, to date, for FY 2004-05, is 2,739
- To date, record only files totaled 2,400 for FY 2004-05.
- Approximately 94 claims went into litigation and were assigned to defense attorneys.



The Workers Compensation Program is responsible for paying the benefits for injured employees. The graph represents the breakdown by percentage of payments made.

# Office for Employee Relations

## Return-to-Work Branch

The Personnel Cabinet increased its commitment to returning injured employees to modified duty by establishing the Return-to-Work (RTW) Branch in February, 2005. The RTW Branch works directly with the Kentucky Safety Program and the Workers' Compensation Branch to increase the oversight of workers' compensation claims and to reduce costs.

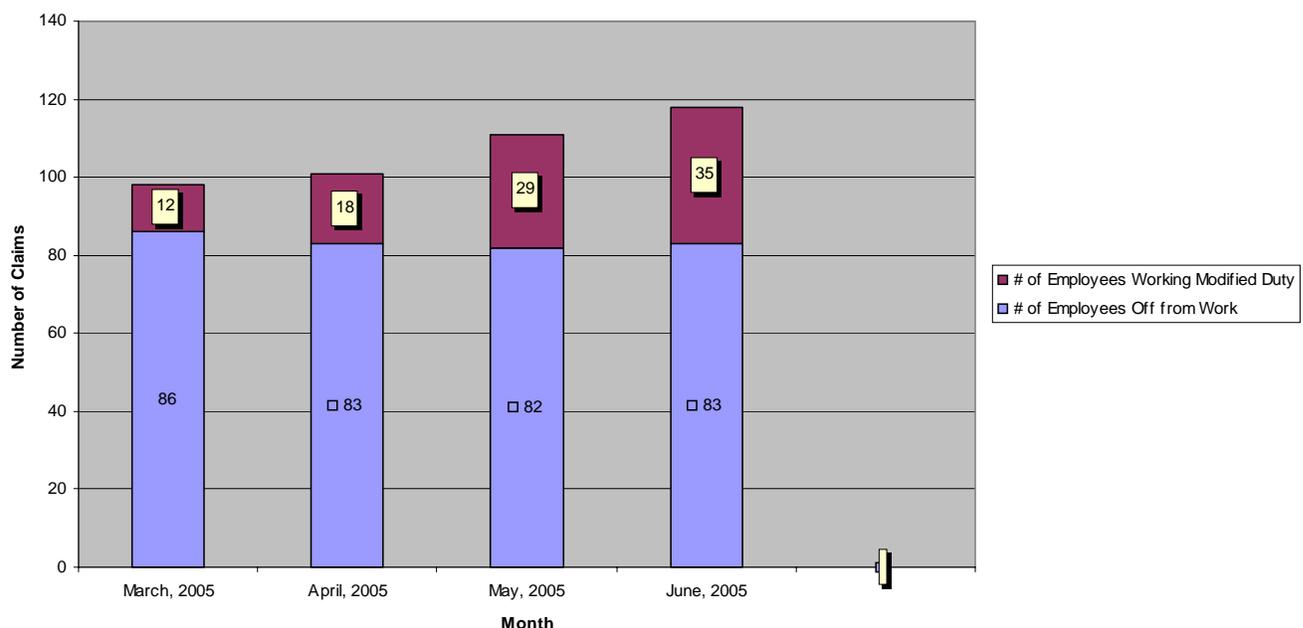
The Return-to-Work Branch is staffed by a Certified Rehabilitation Counselor and support staff. The Return-to-Work Branch works directly with employers to consult and assist them in developing Temporary Modified Duty Programs. These programs allow injured employees to return to work as soon as medically released by their physicians. Research shows that an injured employee recovers quicker when they return to work as soon as possible.

Data kept since February, 2005 demonstrates the savings that a Return-to-Work Program can produce:

- Total savings in temporary total disability benefits through 6/30/05: \$112,783.41
- Number of employers who have participated in the Return-to-Work Program: 26
- Total Number of employees back to full duty: 215
- As of June 30, 2005 there were 35 employees working temporary modified duty.
- As of June 30, 2005 there were 83 state employees receiving temporary total disability Benefits.

The total savings indicated above does not take into account the cost savings due to lowered settlement amounts (due to the employee returning to work) nor does the savings account for any indirect savings due to the employees returning to work (i.e. overtime, temporary staff having to be hired).

Lost Time Claims and Potential Lost Time Claims



# Office for Employee Relations

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## Kentucky Employee Assistance Branch (KEAP)

### ***Client Totals***

During FY 2004-05, the Kentucky Employee Assistance Program (KEAP) provided direct employee assistance services to 1,082 state employees and/or their family members. In addition, 3,768 collateral contacts were made. (See chart on page 36.)

### ***Agency Utilization***

The cabinets in which employees most often used KEAP's services were the Cabinet for Health and Family Services (23.5%); Justice Cabinet (16% of our clients came from Justice Cabinet; Transportation (10%). (See chart on page 37.)

### ***Main Presenting Issues***

The issues most frequently presented include: mental/emotional health (29%), supervisory referrals (18%) and job stress (18%). (See chart on page 38.)

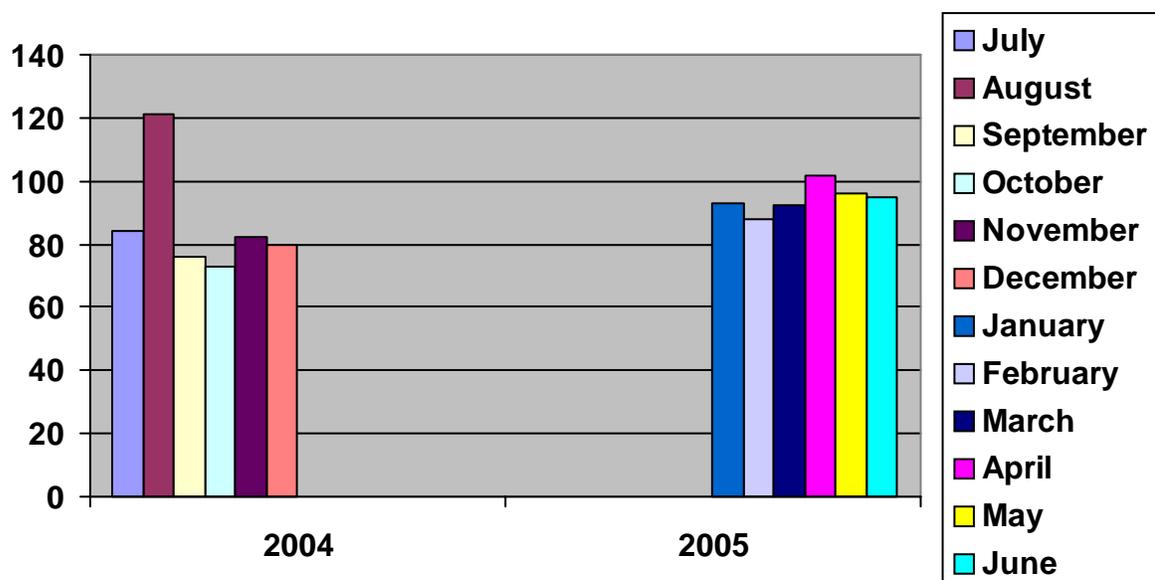
### ***Indirect Contacts (Outside Meetings and Workshops)***

KEAP's staff was involved in many workshops and meetings that resulted in numerous indirect contacts with employees. These contacts include monthly presentations at GSC (Governmental Services Center) on how supervisors can use KEAP as a management tool. KEAP's staff conducted workshops on various topics, such as Life in the Balance, Stress Management and Mental Illness in the Workplace, as well as Critical Incident Stress debriefings and Grief in the Workplace sessions.

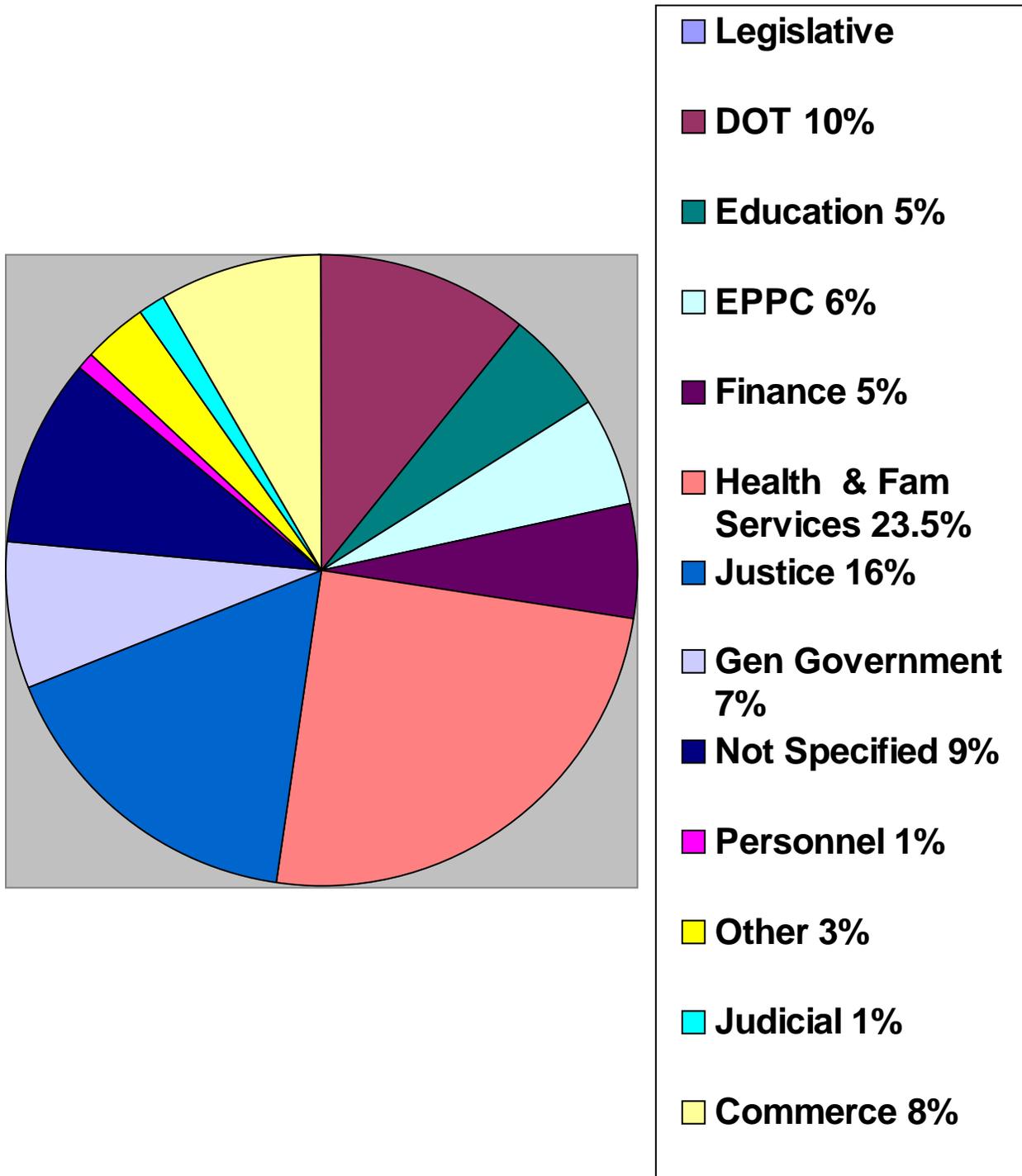
(Note: See Charts pages 36-38.)

## KEAP "NEW CLIENT" TOTALS

<b>2004</b>	
July	84
August	121
September	76
October	73
November	82
December	80
<b>2005</b>	
January	93
February	88
March	92
April	102
May	96
June	95
<b>Total</b>	<b>1,082</b>

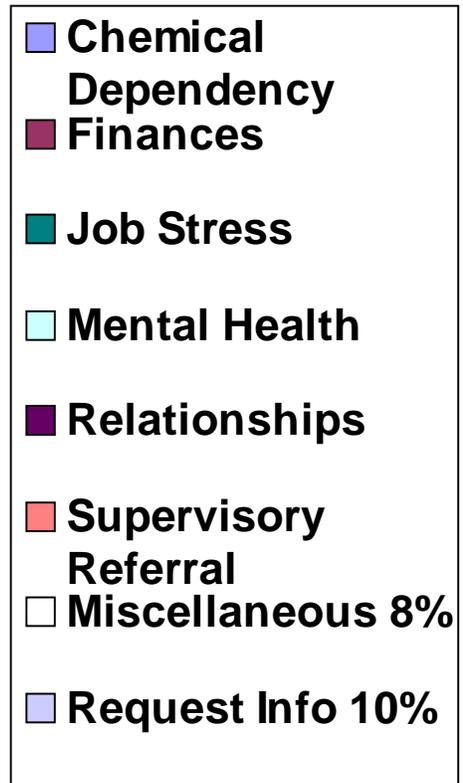
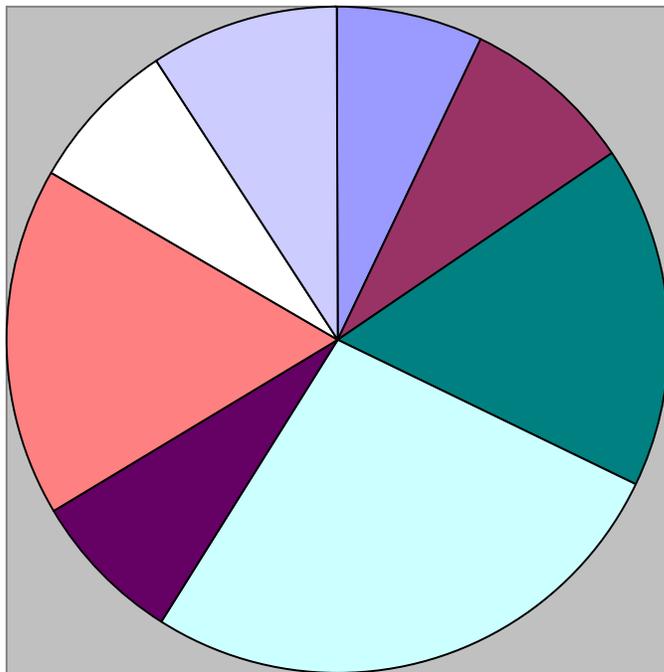


## AGENCY UTILIZATION



**PRESENTING ISSUES:**

Chemical Dependency	08%
Finances	09%
Job Stress	18%
Mental Health	29%
Relationships	08%
Supervisory Referral	18%
Miscellaneous	08%
Requesting Information	10%



# Accomplishments

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## Office of Government Training

In February, the Office of Government Training began delivering quality consulting services to customers. This change brought the state's training capability more in line with business practices in the private sector. Specific consulting areas centered around Baldrige Based Quality Systems, Lean Manufacturing, Standards of the International Organization for Standardization, and Six Sigma. During these short months, we started to see a decrease in basic management workshops and an increase in quality related workshops that focus on delivering results and bringing about change.

The office was selected to "champion" the state's strategic planning program. In this role, personnel worked with other agencies to assist them in updating their strategic plans. Currently, efforts are underway to collaborate between agency strategic plans to develop an enterprise level planning and performance document and measures.

(Note: See Chart page 40.)

**OGT Training Data: July 1, 2004 - June 30, 2005**

Cabinet	Duplicated Totals (counted each time they attend)	Unduplicated Totals (each individual counted once)	CMF/CPM Program Unduplicated Participants	Unduplicated Totals (each individual counted once)	Workshops
Commerce	736	570	CMF Participants in all Workshops Unduplicated	314	Regular 170
Economic Development	62	33	CMF Participants in all Workshops Duplicated	1437	Specials 9
Education	866	597			Online 18
Environmental and Public Protection	1259	741	CPM Participants in all Workshops Unduplicated	329	<b>TOTAL 197</b>
Finance and Administration	915	507	CPM Participants in all Workshops Duplicated	954	
General Government	1034	552			CMF 90
Health and Family Services	1717	1236	CMF Participants in CMF Workshops Unduplicated	292	CPM 62
Judicial Branch	2	1	CMF Participants in CMF Workshops Duplicated	1604	<b>TOTAL 152</b>
Justice and Public Safety	1482	1055			
Legislative Branch	4	2	CPM Participants in CPM Workshops Unduplicated	255	
Personnel	172	92	CPM Participants in CPM Workshops Duplicated	1017	
Transportation	1640	913			
<b>TOTAL</b>	<b>9889</b>	<b>6299</b>	Total participants in Online workshops Duplicated	504	
			Total participants in Online workshops Unduplicated	303	

# Accomplishments

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## Department for Employee Insurance

The Department for Employee Insurance has been instrumental in enabling the Personnel Cabinet to meet its statutory duties and responsibilities in the area of health insurance, as well as, the needs of approximately 230,000 health insurance participants, 35,000 waivers and 11,000 state employees with flexible spending account coverage. As in previous years, the Department for Employee Insurance developed and released a Request for Proposal (RFP) for health insurance benefits, pharmacy, and flexible spending accounts. Unlike prior years, this RFP was for a third party administrator under a state-wide self-insured program. This RFP also included administrative services for disease management and wellness programs, as well as HIPAA and COBRA administration. An RFP for data management services was also prepared and released by the department in June, 2005.

The Department for Employee Insurance has created a more customer-focused organization, which provides an efficient, effective, and responsive service to its members. Our Personnel Cabinet's Web site has been expanded to include the Blue Ribbon Panel on Health Insurance presentations; Group Health Insurance Board and the Employee Advisory Committee presentations; and other pertinent health insurance information.

The Department for Employee Insurance is comprised of the Division of Insurance Administration and the Division of Financial and Data Services. Within the Division of Insurance Administration, we have developed a web based application to be used statewide during the 2006 open enrollment. Testing of this application will begin in July, 2005.

In the Division of Financial and Data Services we have developed the premium billing and reconciliation system that automates the generation of billing, processing payments and reconciliation of payment information. This system will go live July 1, 2005. Prior to this date, the reconciliation was manual and the carriers billed our participants. Under the self insured environment, the Commonwealth will be responsible for the billing, processing and reconciliation.

The Department for Employee Insurance also supports the ongoing efforts of the Kentucky Group Health Insurance Board and the Employee Advisory Committee. This entails working with the employees of state government, boards of education, health departments and other quasi agencies in the development of recommendations on the future direction of the program.

During this fiscal year, the Department of Employee Insurance

- Procured, with assistance from the Finance and Administration Cabinet, health insurance for approximately 230,000 Commonwealth employees, retirees and their families for Plan Year 2005. This process takes in excess of six months, beginning with compiling the Request for Proposal, soliciting bids from health insurance carriers, evaluation and scoring each bid, negotiations with carriers and ending with the signing of the contracts with the health insurance carriers.

# Department for Employee Insurance

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- Provided support to insurance coordinators of school boards, local health departments, state agency coordinators, Kentucky Judicial Retirement System, Kentucky Legislative Retirement System, Kentucky Retirement System, Kentucky Teachers' Retirement System, Kentucky Community and Technical College Systems, as well as, numerous quasi agencies participating in the Public Employee Health Insurance Program.
- Conducted training with over 600 health insurance coordinators on changes and updates to our health insurance program. Also, developed a training class for "new" insurance coordinators.
- Coordinated and completed the processing of the health insurance applications for the approximate 180,000 members of the Public Employee Health Insurance Program. Processing was completed within a two week period.
- Electronically transmitted daily transaction files and monthly synch files to participating health insurance carriers.
- Handled customer service calls from our members.
- Processed approximately 14,000 Commonwealth Choice enrollment forms.
- Processed monthly discrepancy reports on Commonwealth Choice.
- Conducted quarterly meetings with the Employee Advisory Committee for Health Insurance in 2004 and monthly meetings in 2005.
- Conducted monthly meetings with the Kentucky Group Health Insurance Board. Further, the Department of Employee Insurance assisted the board with the preparation and distribution of its annual report to the Governor, General Assembly and Chief Justice of the Supreme Court.
- Designed and implemented the premium and billing reconciliation system for state agencies, school boards and the Kentucky Employees State Retirement Systems (KERS and KTRS) and quasi agencies.
- Continued the billing and administration of the Commonwealth Choice program for those agencies that are not paid through the state payroll system (UPPS).

# Department for Employee Insurance

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- Conducted an intensive assessment of the Group Health Insurance Eligibility Database and procedures currently utilized for the Public Employee Health Insurance Program.
- Developed data warehouse of insurance program's data in conjunction with Health Insurance Information Management System vendor, The MEDSTAT Group.
- Developed analysis of health insurance program's performance using above data warehouse.
- Continued the responsibility for resolution of issues with data transfer to/from insurance vendors and participating agencies.

# Accomplishments

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## Department for Personnel Administration

The Department for Personnel Administration consists of the Division of Staffing Services, the Division of Employee Management and the Systems Management Branch. These areas consist of nine branches with over 80 employees. The Department is dedicated to providing outstanding customer service to state employees and applicants.

The department's purpose is to ensure that individuals receive the highest quality human resource services in the areas of employment counseling, applicant processing, selection method criteria, employee records administration, creation of job classifications and appropriate compensation levels, operation of the state payroll system and the employee performance evaluation process.

The department is proud of its achievements over the last fiscal year and has established targeted areas for improvement over the next three years including:

- Replacement of the current paper based employment application process with a Web based system;
- Replacement of the current 20+ year old personnel/payroll system with a state of the art, comprehensive Human Resource Management System (HRIS); and
- Re-engineering of processes to improve internal and external customer service.

### Division of Staffing Services

The Division of Staffing Services consists of the following organizational units:

- The **Employment Counseling Branch**
- The **Applicant Processing Branch**
- The **Register Branch**
- The **Staffing Analysis Branch**

This division's responsibility is to operate a centralized applicant and employee counseling program; operate the examination program for state employment; operate the state register programs, including the administration of layoff plans and reemployment lists as required by KRS 18A.113 through KRS 18A.1132 and KRS 18A.115, 18A.130 and 18A.135; construct merit examinations; and coordinate outreach programs such as recruitment and administrative internship programs.

**Merit Employment:** The merit employment function of Kentucky State Government, includes the recruitment, testing, and placement of competitive (new) employees, the promotion of existing employees under KRS 18A.005-18A.200 and 101 KAR, Chapter 1-3 and all related statutes, and regulations relating to the merit staffing and employment functions of the Commonwealth. This includes administering such statutes as KRS 61.300 dealing with qualifications of non-elective peace officers, KRS 61.373 restoration of employees to positions previously held after released from military duty and other statutes and regulations that relate

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to the employment of individuals in 427 different state job classes that require a license or certification to perform the duties assigned to the position.

The following information details the service levels provided for FY 2005:

Number of Training and Experience Ratings.....	1,716
Applicants Interviewed.....	21,135
Mail Processed.....	37,425
Education Verifications.....	47,702
Registers Issued.....	11,876
Appointments from Register.....	5,434
Examinations Processed.....	30,383
Phone calls.....	101,360

## Division of Employee Management

The Division of Employee Management houses the Processing and Records Branch, the Payroll Branch, the Classification and Compensation Branch and the Performance Management Branch. The function of these branches include processing personnel actions; assisting agencies in creating job classifications and salary computations; maintaining and overseeing the salary schedule and pay grade changes; running state payroll and assisting agencies with payroll issues; providing service records for employees; producing documents for employees that are in the Personnel Cabinet files; and administrating and overseeing the Employee Performance Evaluation System.

### Processing and Records Branch

- Processed 135,710 personnel actions.
- Approximately 2,500 service records were received and completed from agency request.
- Worked with the Commonwealth Office of Technology (COT) to implement a new application on CICS for creation of agency reorganizations.
- Developed a more efficient method of entering position from-to (crosswalk) listings into the system.
- Actively involved in mapping the personnel processes for the new HRIS.

### Payroll Branch

- Changed all federal tax tables for calendar and mid-year.
- Made changes to local taxes to keep updated and current.
- Produced 50,000 + Wage and Tax Statements (W-2's).
- Successfully updated 30,000+ employees' master records due to agency re-organizations.
- Consolidated the Cabinet for Health & Family Services and Transportation Cabinet payrolls into the Commonwealth wide payroll process.
- Actively involved in mapping the payroll processes for the new HRIS.
- Continue to redirect reports into the electronic Report Delivery System (RDS) and Document Direct, which eliminates the need for paper copies.
- Added the feature retro payments that allows agencies to do their retro notification for the payroll audit.
- Continued the streamlining and automation of batch job flows into scheduler.

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- Assumed the responsibility of CICS security for the Commonwealth.
- Have enhanced the Personnel Cabinet system's batch flow to eliminate errors and migrated reports from paper to RDS/Document Direct.

## Classification and Compensation Branch

Nature of Actions	2004/2005
Job Classes Revised	93
New Classes Established	34
Job Classes Abolished	19
Pay Grade Changes	67
New/Revised Special Entrance Rates	1
Class Title Changes	36
Title Code Number Changes	0

The following 10,267 actions were taken by the Classification and Compensation Branch:

Positions Established	8,409
Positions Reclassified	1,618
Positions Reallocated	240

This compares as follows:

- 8,184 actions in FY 2003-2004
- 10,185 actions in FY 2002 - 2003
- 10,708 actions in FY 2001 - 2002
- 23,270 actions in FY 2000 - 2001
- 23,849 actions in FY 1999 - 2000
- 26,618 actions in FY 1998 - 1999
- 20,791 actions in FY 1997 - 1998

## Performance Management Branch

- Conducted employee evaluation supervisor training and/or informational sessions for approximately **5,798** supervisors and interested employees.
- Completed a statewide audit of 2003 performance evaluations. This effort resulted in the auditing of **2,785** or **10%** of all evaluations conducted during the 2003 performance period.
- Monitored and provided assistance to agencies in the administration of the employee performance evaluation system resulting in verification of the following achievements:
  - **29,869** or **98.4%** of all eligible employees met with their supervisor during the required April 2004 interim review meeting to discuss their work performance progress. (*verified July 2004*)

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- **27,855** or **96.8%** of all eligible employees met with their supervisor during the required August 2004 interim review meeting to discuss their work performance progress. (*verified November 2004*)
- **26,987** or **98%** of all eligible employees received an annual evaluation for the 2004 performance year.
- **28,326** or **96.6%** of all eligible employees met with their supervisor to discuss and sign their 2005 performance plan.

## Systems Management Branch

The Systems Management Branch consists of ten full time staff members who are responsible for overseeing the computerization of the Personnel Cabinet as well as providing the technical support to keep IT solutions operational.

- Technologies currently being utilized include the Internet, Intranet; Web enabled register application, imaging applications in the register branch, employee files, deferred compensation, life insurance and health insurance. Web enabled employee suggestion system, health insurance call tracking system, storage area network system and “MSAR” Magnetic Storage and Retrieval.
- The Systems Management Branch monitors and maintains thirty (30) NT servers, six UNIX servers, two optical storage and retrieval devices, and over 200 users in five locations. This branch also provides support for the Web register application and the employee suggestion system at the agency level. The Systems Management Branch maintains several databases including health, life, EEO, co-op intern and inventory.
- Maintain ClickHR, an employee self-service system that allows employees to retrieve their electronic pay stubs, check their leave balances, as well as, review their life and health benefits, and provides an employee profile where the employee can enter their work address and their emergency contacts.
- The Systems Management Branch interacts with other agencies and vendors to insure the Personnel Cabinet is current regarding technology implementation at the state level and in the private sector.
- Technologies currently in the development stage include an imaging application and database for the Worker’s Compensation program, a Web enabled open enrollment application for health insurance, upgrading the register Web application to the latest version, and HRIS and recruitment systems.
- Other technologies currently on the drawing board include content security management, URL filtering, wireless LAN infrastructure, and VPN solutions for file transfer.

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## Cooperative Education and Internship Program

The Kentucky State Government Cooperative Education and Internship Program continues to be successful and has a database of approximately 700 active applicants.

The program not only helps agencies meet their short-term staffing needs, but it also serves as a recruitment tool for agencies with difficult-to-fill vacancies that require special skills.

Applications are received year round from students, state agencies and educational institutions. Word-of-mouth is the program's best advertising, but staff members also attend career and recruitment fairs during the year to secure applicants with specific majors.

Approximately 75% of the participants are students from colleges and universities, 15% are students from high schools and 10% are students from vocational/technical schools.

Frankfort's Kentucky State University continues to serve the program well in recruitment efforts. KSU's applicants include students in numerous critical skill areas, such as engineering, pre-engineering, biology, chemistry, computer science, political science, accounting and criminal justice.

There is also a broader geographic location of participating educational institutions. For example, educational institutions in western Kentucky are providing the state's field offices with high school and college students for both short-term assignments and to meet critical staffing needs.

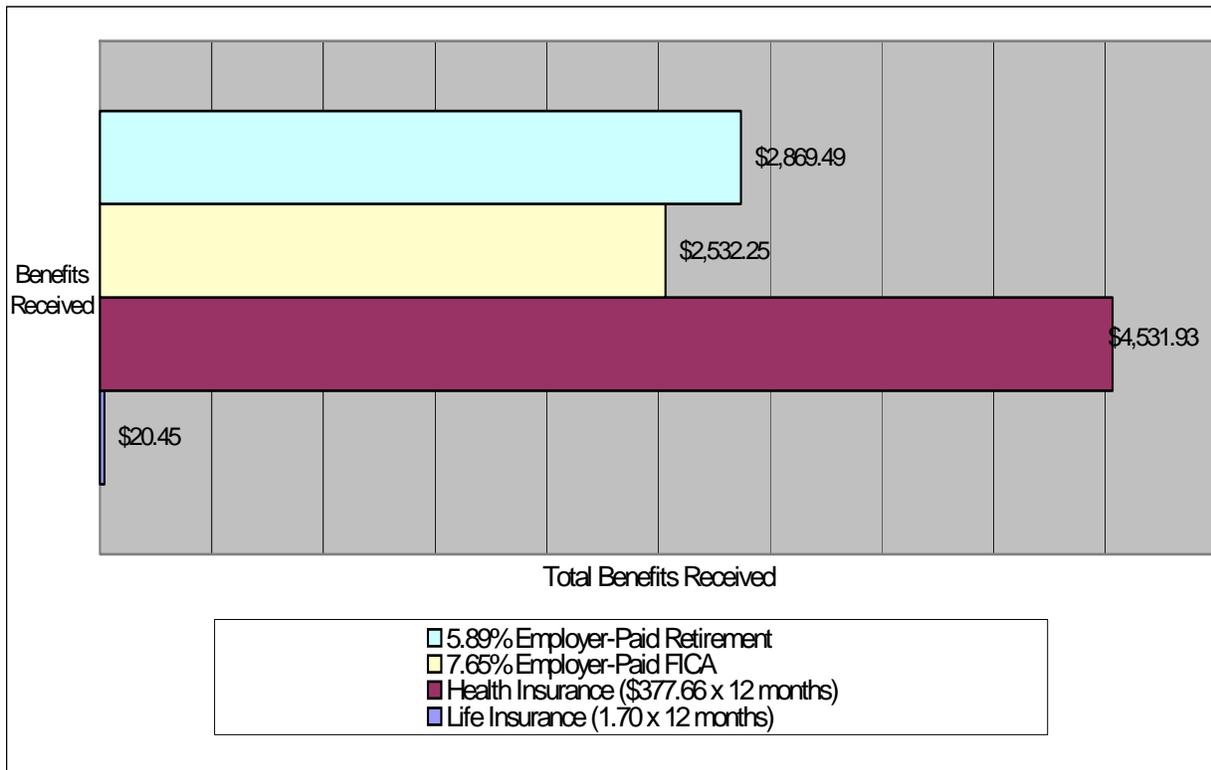
The Co-op/Intern Program provides Kentucky's students the opportunity to obtain practical on-the-job experience while earning academic credit as part of their educational experience. It also gives them a greater opportunity for full-time employment after graduation.

The program is seeing an increase in requests for recent Co-op/Intern graduates for possible full-time employment. Students recognize the program as an ongoing resource for employment with outside organizations and businesses, as well as with state government.

# Employee Facts

Average Annual Salary \$37,487  
 Executive Branch  
 Permanent Full-Time Employees  
 (as of June 30, 2005)

Average Annual Benefits \$8,988.67



Average annual gross salary	\$ 37,487.00	=	81% of total compensation
Average annual benefits	8,988.67	=	19% of total compensation
Average annual total compensation	<u>\$ 46,475.67</u>	=	<u>100%</u>

# Employee Facts

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NUMBER OF EMPLOYEES  
IN  
STATE GOVERNMENT  
(as of June 30, 2005)

Executive Branch.....	34,515
Legislative Branch.....	224
Judicial Branch.....	3,482

Of the total permanent full-time employees in the Executive Branch:

49.76% are females

8.33% are minority

# Employee Facts

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PERCENTAGE OF EMPLOYMENT BY RACE AND SEX  
(as of June 30, 2005)

