



**Kentucky Personnel Cabinet
Annual Report
July 1, 2013- June 30, 2014**

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Kentucky Personnel Cabinet 2013-2014 Annual Report

All information contained in this report is as of June 30, 2014.

October 1, 2014

Dear Governor Beshear, Legislative Research Commission and Personnel Board:

The Personnel Cabinet continues to serve the Commonwealth's employees and has focused efforts on their health and wellbeing. In so doing, we have continued to meet and, in many instances surpass, the responsibilities set forth for the Cabinet in administering the state's personnel system. The following five excerpts highlight a few of the Cabinet's successful initiatives:

Human Resources initiatives

Overseeing the daily operations of the largest employer in the state, the Department of Human Resources Administration processed more than \$1.6 billion in payroll for the Commonwealth's 42,000 employees. The Department successfully implemented a mandatory electronic salary statement policy for all employees utilizing direct deposit and participated in 47 salary surveys from states within the National Compensation Association of State Governments. The Department also participated in and utilized the AFT Survey and the Book of the States Survey from the Council of State Governments.

Making wellness a priority

For several years, the Kentucky Employees' Health Plan (KEHP) has worked to improve the wellbeing of the state workforce. The result is healthier, more productive employees, as well as a cost savings for the Commonwealth. During the 2013 open enrollment period for health insurance, over 80 percent of KEHP members selected a LivingWell health plan. In 2014, more than 137,000 learned their health numbers by taking the HumanaVitality health assessment and more than 16,000 completed a biometric screening.

KEHP is honored to be working with Governor Beshear to accomplish even greater health goals for all Kentuckians over the next five years through the kyhealthnow initiative. Most recently, the Personnel Cabinet has assisted in the announcement and implementation of a tobacco free workplace for all executive branch property.

Recruiting the best and brightest

In our efforts to recruit and retain exceptional employees, our Division of Career Opportunities coordinates outreach programs such as recruitment and administrative internship programs. This group implemented over two dozen system changes to improve the online experience of applicants, agency customers, and internal system users. We participated in a number of recruiting events and 15 career fairs to address specific recruiting needs of hiring agencies and processed 363,818 job submissions, and 31,326 new applicants.

Pursuant to KRS 18A.030 (2) (1), I respectfully submit the 2013-2014 Kentucky Personnel Cabinet Annual Report.

Sincerely,

Tim Longmeyer, Secretary
Personnel Cabinet

Kentucky

Personnel Cabinet

Serving the People Who Serve the People

Our Mission

The Personnel Cabinet provides leadership and guidance to attract, develop, motivate and retain a talented, diverse workforce; foster an understanding of and adherence to regulatory requirements; and create a positive, supportive work environment that values all employees.

Our Vision

To be regarded by our employees and stakeholders as a trusted and valuable resource for innovative, accessible and responsive human resource services.

Our Values

Integrity

The Personnel Cabinet provides leadership and guidance to attract, develop, motivate and retain a talented, diverse workforce; foster an understanding of and adherence to regulatory requirements; and create a positive, supportive work environment that values all employees. We believe in adherence to the highest standards of conduct and the conviction to do what is legally and morally right.

Quality

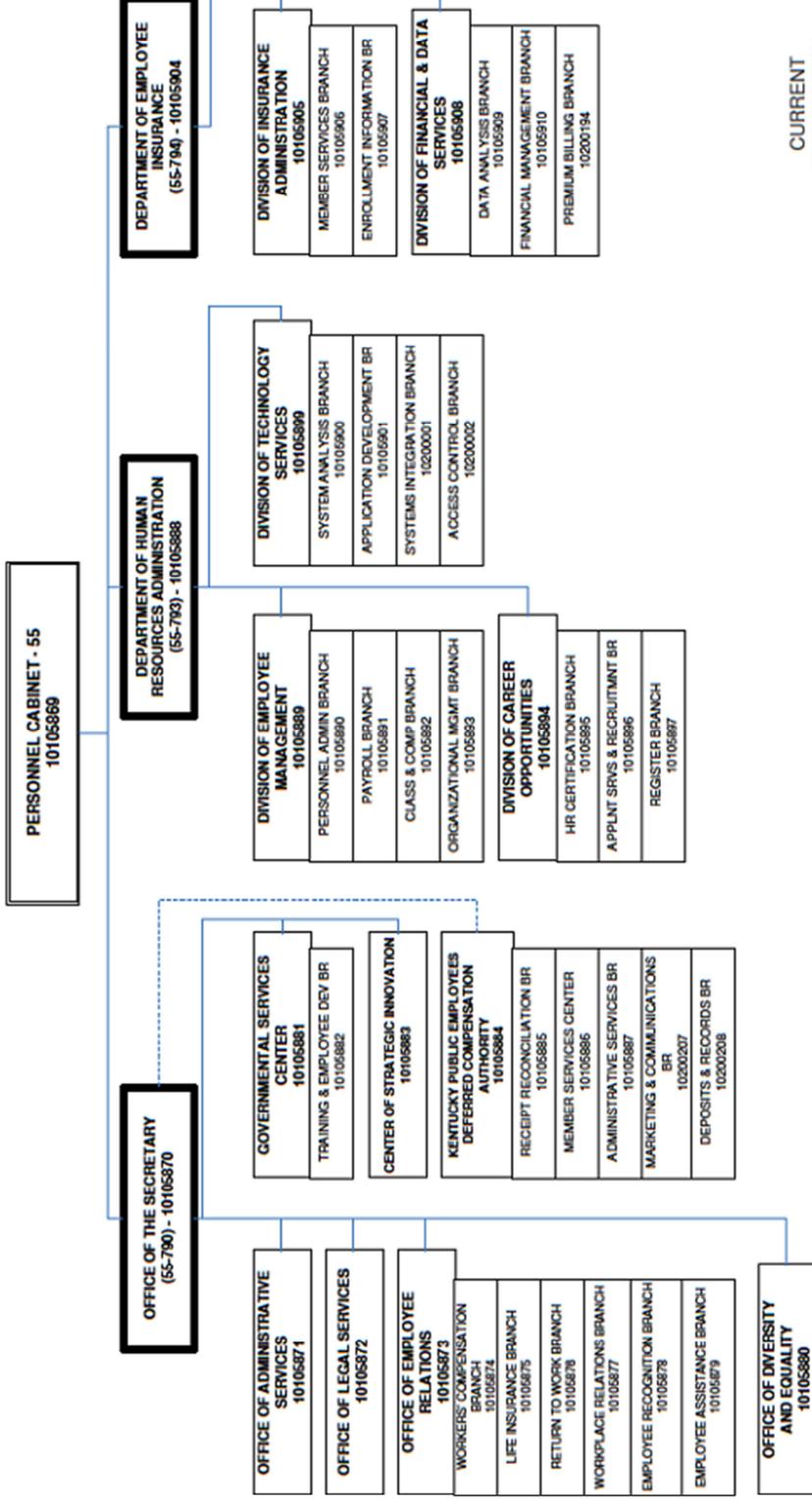
We are committed to providing quality customer service. We will continually review our business processes based on customer needs and establish measures by which we will monitor our effectiveness.

Innovation

We are committed to finding new and creative ways to serve our customers. We will apply progressive thinking to our systems, processes and services.

Diversity

We believe that embracing people from diverse backgrounds adds to the richness and creativity of our workforce. We will ensure all people have equal access to the Commonwealth's employment opportunities and other human resource services.



CURRENT
PC/DHRA/DEM
As of 03/1/2014
Created on 06/28/2011

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 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. Within the Office of the Secretary are the Center for Strategic Innovation, the Governmental Services Center, the Office of Administrative Services, the Office of Diversity and Equality, the Office of Employee Relations and the Office of Legal Services. The KY Employees' Deferred Compensation Authority is part of the Office of the Secretary for administrative purposes.

Center for Strategic Innovation

Services

The Personnel Cabinet's Center for Strategic Innovation (CSI) is the foundation for various consultative services inside the Personnel Cabinet including, but not limited to: facilitation, strategic planning, organizational development, research and best practices, training, project management, communications, media relations, website design and maintenance and legislative affairs. Each CSI service helps promote and fulfill the cabinet's mission, vision, and values.

Communications

The CSI communication and marketing team develops strategies to promote the numerous programs and initiatives of the Personnel Cabinet. The team helps to develop the majority of electronic and print communications sent to state employees on behalf of the cabinet. This team also is responsible for the cabinet's press releases, meeting notices, communication plans, and public information.

Staff continues to develop communication tools to provide employees with the information they need to participate in cabinet-offered programs and initiatives including: the HumanaVitality® wellness program, the Governor's Ambassador Awards, the Employee Suggestion System, Public Employee Appreciation Week, the KHRIS project, Diversity Day, First Onsite Clinics, the tobacco-free policy, and the LivingWell program

CSI created and sent over 100 mass emails on various topics ranging from wellness to deferred compensation and open enrollment. CSI made over 2.5 million contacts annually with cabinet customers.

CSI Developed a communications plan for the re-launch of the wellness pilot program in conjunction with the promotion of the First Onsite Clinics in Frankfort. CSI has been successful in helping to increase the number of employees utilizing the clinics through a strong communications effort.

CSI Provides wellness updates to shareholders and stakeholders detailing KEHP and wellness program accomplishments, consults and assists with various employee communications regarding health insurance open enrollment including the plan year benefits selection guide, letters to members, and the open enrollment website. In conjunction with the Department of Employee Insurance, CSI was able to assist in ensuring a successful open enrollment and LivingWell program for nearly 300,000 KEHP members.

CSI Compiles and completes the annual report on behalf of the Personnel Cabinet.

CSI Develops the quarterly executive branch employee newsletter, the “Kentucky Employee Connection,” CSI reaches all executive branch employees.

Legislative Updates

Working with various legislative leaders and the governor’s office, CSI was able to collaborate on the passage of several bills during the 2014 regular legislative session. CSI provided training on the new bill review system (KLIR) and oversaw the bill review process for the cabinet.

It provided health insurance briefings for legislators in reference to the 2014 plan year and prepared various materials and presentations for legislative committees.

CSI Oversaw ongoing legislative requests and responses.

Strategic Partnerships

Continuing to support and consult with the Innovation Champion teams, CSI staff assisted the Green Team with the 2014 gardening and canning events, which were open to all employees who wanted to learn more about creating efficiencies and savings at work and at home.

Continuing to partner with the University of Kentucky’s Institute for Workplace Innovation to offer Employer of Choice webinars, articles and information to Personnel Cabinet employees.

Continuing to share best practices with and benchmark the practices and programs of Kentucky’s largest healthcare providers and employers of choice.

Presentations

Presenting at the 2014 Governor’s Local Issues Conference covered topics ranging from wellness in state government to internal communications.

Sharing information about HumanaVitality® at the Deferred Compensation Expo in support of the Personnel Cabinet’s green and wellness initiatives.

Technology

CSI oversees the development, maintenance, and content of all the cabinet’s public websites.

Supporting innovative online meeting equipment through our webinar program, which help reduce travel costs. Webinars provide the convenience of meeting with others in locations across the state. CSI provided assistance with planning, set-up and technical support for over 50 webinars.

Working with a select group of employees in the cabinet, CSI updates the entire Personnel cabinet internet site.

Governmental Services Center

Responsibilities

The Governmental Services Center (GSC) is comprised of the Executive Director's Office and the Training and Employee Development Branch. Under direction of the Personnel Cabinet Secretary and the Governmental Services Center Authority Board, GSC is responsible for "The development, coordination, content, approval and implementation of all training, employee development, and related programs conducted for and on behalf of all program cabinets, departments, administrative bodies, and program managers of state government" as required by KRS 164.357.

The Governmental Services Center develops and delivers traditional classroom workshops, develops on-line modules, manages GSC's technological learning resources, and transitions traditional modules to online modules so they can be accessed via multiple venues. It also manages, and maintains the Pathlore Learning Management System, provides special consulting services, and administers the Employee Educational Assistance, Certificate of Management Fundamentals, and the Certificate of Supervisory Essentials Programs.

Visit GSC at www.gsc.personnel.ky.gov.

Employee Educational Assistance Program

During FY 2014, the employee educational assistance program had total expenditures of \$103,400. Six requests for exceptions were granted because courses were not offered at Kentucky State University.

Programs and Services

For over 25 years, the Governmental Services Center (GSC) has offered state employees the opportunity to earn their Certificate of Management Fundamentals (CMF). Originally created as a prerequisite to the Kentucky Certified Public Manager (KCPM) Program, the CMF focused on developing and enhancing competencies required for effectively improving personal performance and the performance of others. Due to significant changes in recent years, GSC has determined that the CMF no longer provided the benefit that it once did to state employees. While employees will no longer have the option to earn the certificate after December 31, 2014, the classes associated with the CMF will still be offered and are available to any state government employee.

In order to make sure we are meeting the needs of our customers, part of our continuous improvement process is to seek feedback through structured needs assessments. We began by interviewing executive branch leaders and representatives of different cabinets and various agencies to get a broad perspective of the immediate training needs facing the Commonwealth. The results of that effort were as follows:

- There were five overarching themes that were apparent from the interviews. The most common area of need was “Fundamental Supervisory Skills.”
- A second theme apparent from the interviews was “Workplace Compliance.”
- Specific wording used by several individuals included: Workplace Violence, Anti-Harassment, ADA, EEO, FMLA, Diversity, and Safety.
- Complementing the compliance theme was the desire for online classes.

In addition to the leadership interviews GSC also surveyed supervisors and managers from all regions of the state and involved many agencies.

Within the parameters of our research GSC began the process of reviewing current offerings and programs to customize a certificate aimed at new or entry level supervisors.

The Governor’s Minority Management Program piloted the resulting Certificate of Supervisory Essentials (CSE) program following GSC development. The program focuses on the most important statutes, regulations policies, procedures, and best practices for Commonwealth of Kentucky. Courses are offered in both the classroom environment and online. This heightened awareness will help supervisors steer clear of such potential workplace problems as low employee performance, illegal workplace harassment/discrimination, and poor hiring choices.

By completing all of the courses contained within the CSE, each participant will gain an awareness of the extensive regulatory framework within the Executive Branch of State Government. Specifically, participants will be able to:

- Describe federal and state anti-discrimination statutes.
- Identify and discuss behaviors that might contribute to a disrespectful or hostile work environment.
- Identify ways to be proactive in creating a respectful work environment.
- Effectively manage the performance and behavior of employees.

The initial enrollment for executive branch employees occurred in June 2014. Currently, 420 employees are enrolled and participating in the program. Our next open enrollment period will be December 1-31, 2014.

Pathlore Learning Management System

GSC facilitated training sessions to provide information and offered advanced courses in Pathlore, the Commonwealth’s principal learning software. The Pathlore version 6.9 upgrade was successfully installed. This eliminated agency issues with web browser errors and allowed for additional functionality. GSC participated during this reporting period with the Finance and Administration Cabinet to test a possible new learning management system for enterprise implementation.

Special Consulting Requests

During this reporting period, GSC responded to 34 special consulting requests resulting in 18 customized workshops and facilitations.

GSC consultants worked with leadership at the Department of Parks to assist managers in empowering park employees to align services to a unified vision. The goal was to empower employees to make decisions and create a sense of ownership. The campaign included 10 sessions at multiple state parks.

GSC provided assistance to Kentucky Adult Education with its strategic initiative to incorporate soft skills, such as Communication, Critical Thinking, and Collaboration into its academic curriculum. The objective was to assist Adult Education's audience gain necessary tools to enter the workforce. GSC conducted eight sessions at various facilities throughout the state.

Offerings

During this reporting period, GSC continued to redesign and create several new classes based on feedback from our participants. Two new workshops created were “Building Trust,” and “Developing Character.”

GSC currently offers the following classroom opportunities:

- Business Writing
- Building Trust
- Communication: Creating and Sharing Meaning
- Conflict Management
- Coping with Difficult Behaviors
- Creative Thinking
- Customer Service
- Critical Thinking
- Developing Character
- Foundations in Leadership
- Hiring and Selection Process: Best Practices
- Introduction to Project Management
- Leadership Communication
- Managing Work Relationships
- Overview of the Merit System
- Managing Employee Performance
- Personal Accountability
- Running Effective Meetings
- Shared Accountability
- Structured Behavioral Interviewing
- Employee Discipline and Documentation
- Working through Change

GSC currently offers the following e-Learning opportunities:

- Americans with Disabilities Act
- Customer Service
- Overview of the Merit System
- Anti-Harassment Awareness
- Basics of Effective Meetings
- Executive branch Ethics
- Customer Service Spanish I
- Customer Service Spanish II
- Fundamentals of Safety and Health
- Managing Employee Performance
- Valuing Employee Input
- Workplace Violence Prevention for Employees
- Workplace Violence Prevention for Supervisors

Office of Administrative Services

Responsibilities

The Office of Administrative Services (OAS) provides the resources necessary for the cabinet's departments and offices to fulfill their mission. The Office manages the internal administration of the cabinet including budgeting, accounting, purchasing, human resources, payroll, benefits, internal audit, and facilities. Staff works closely with all parts of the cabinet and with the Office of the State Budget Director, as well as the Office of Procurement Services, the Controller's Office, and the Department of Facilities Management in the Finance and Administration Cabinet.

Activities and Accomplishments

FY 2014 continued challenges that were evident in FY 2013. The *Budget of the Commonwealth* provided for \$2.5 million in expenditures in the cabinet's agency receipts budget in FY 2014 for which agencies lacked budgeted funds to pay to the cabinet. OAS, as was the case in FY 2013, worked with the Office of the State Budget Director and successfully finished the fiscal year with a positive cash balance. OAS worked with the Division of Technology Services (DTS) and the Department of Employee Insurance (DEI) to complete the first mandatory open enrollment for health insurance using KHRIS software. The cabinet reduced open enrollment costs by using volunteers from other cabinets and the Personnel Cabinet. Personnel Cabinet employees in particular helped with password resets rather than relying on the Commonwealth Office of Technology (COT) help desk. FY 2015 promises to be difficult because of the carrying forward of FY 2014 expenses into FY 2015.

OAS also worked with the COT and Personnel's DTS in the implementation of infrastructure consolidation. We transferred ten (10) employees to COT and throughout the year worked to adjust inventory, billing protocols, budget, and other administrative responsibilities. We also made progress on managed print services and started the transition toward less expensive copiers and printers and accomplished a reduction in personal printers and fax machines.

OAS finished the reorganization of the Deferred Compensation Authority (Authority) in the spring of 2014 and assisted with realigning employees, filling positions, and in general helping the Authority through the process. The reorganization was the result of a consulting study and should prepare the Authority for the future. The study looked at best practices among public deferred compensation agencies and made recommendations.

DEI bid five (5) major contracts in the spring of FY 2014 including medical, pharmacy, transparency, FSA/HRA, and wellness. The new contracts will result in significant cost savings for the Commonwealth in calendar 2015. OAS started work in FY 2014 to establish contracts for the new vendors. The new contracts were a significant accomplishment for DEI. Contract

work has continued into FY 2015. The Commonwealth also bid a new group life insurance in FY 2014 to be awarded early in FY 2015.

KHRIS continues to reduce contractor support in exchange for less expensive state employees in the face of added responsibilities. Auditing remained continuous over the course of the year for both KHRIS and DEI, and OAS has responded to numerous questions from auditors dealing with different parts of the cabinet. Certain challenges arose in FY 2014 that will impact the cabinet administratively for OAS and programmatically for KHRIS including but not limited to a major federal highway audit of the State Transportation Cabinet involving time allocation, the consolidation of learning systems into one primary system under the Governmental Services Center, continuing information technology consolidation, and the possible consolidation of the Administrative Office of the Courts into KHRIS for HR administration.

Cabinet Budget

The cabinet has three primary appropriation units—General Operations, the Kentucky Public Employees Deferred Compensation Authority, and Workers’ Compensation. The General Operations Appropriation Unit houses the DTS and KHRIS and expended the most dollars, \$26.3 million in FY 2013, a decrease of \$800,000 from the prior year. Workers’ Compensation expended \$23.7 million, an increase of \$2.8 million from the previous year, and Deferred Compensation expended \$7.0 million, an increase of \$500,000. Workers’ Compensation experienced several very large claims in FY 2014 and dealt with an increase in the state medical fee schedule. The cabinet maintained services to the public and other state agencies despite budget reductions and continued financial difficulties for state government. The spreadsheets that follow provide more detailed information about cabinet fiscal performance during fiscal 2014.

Workers' Compensation June 30, 2014 Budget Status 100% of Fiscal Year

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD AMT	Budget	% YTD
Personnel Costs															
Salary & Wages	51,193	33,490	35,817	33,911	34,216	32,767	34,214	32,802	34,214	33,490	32,767	17,469	406,350	445,000	91.31%
Benefits	26,583	16,579	17,449	16,723	16,834	16,256	16,864	16,227	16,865	16,540	16,215	5,940	199,075	215,000	92.59%
Wkrs. Comp & Training	1,759,216	1,425,301	1,678,358	2,308,712	1,656,289	1,571,829	2,784,228	1,641,413	1,672,213	1,808,363	2,090,779	1,514,189	21,910,880	25,150,600	87.12%
Blue & Co LLC	0	0	0	0	0	0	0	32,470	0	0	0	0	32,470	35,000	92.77%
CCMSI Administration	145,378	74,325	72,449	102,350	99,220	180,776	86,121	0	7,169	159,561	0	163,760	1,091,108	1,800,000	60.62%
Other Contract Costs	0	202	0	58	31	0	0	0	0	0	143	0	435	1,000	43.50%
Security	0	193	0	193	0	0	193	0	0	193	0	0	771	800	96.44%
Subtotal	1,982,370	1,550,091	1,804,072	2,461,947	1,806,590	1,801,628	2,921,619	1,722,912	1,730,461	2,018,147	2,139,905	1,701,358	23,641,100	27,647,400	85.51%
Operating Costs															
Utilities	0	1,934	0	0	1,934	0	0	1,934	0	1,934	0	0	7,737	7,900	97.94%
Rent	0	4,129	0	0	4,129	0	0	4,129	0	4,129	0	0	16,517	16,600	99.50%
Other Rent	353	70	72	0	248	0	112	265	0	0	0	265	1,386	2,000	69.28%
Maintenance	481	178	9	0	24	0	0	70	290	0	443	156	1,650	7,800	21.16%
Postage	0	138	17	26	15	17	20	0	19	27	27	166	473	1,100	42.96%
Misc. Services	0	0	0	0	0	0	0	0	0	0	0	0	0	100	0.00%
Telecommunications	113	274	283	259	269	158	283	272	459	312	497	1,001	4,181	4,200	99.55%
Computer Services	143	165	165	1,700	165	175	318	175	175	333	2,169	-150	5,534	7,000	79.05%
Supplies	0	292	19	51	159	0	92	74	101	274	244	57	1,363	3,500	38.95%
Commodities	0	0	0	32	972	0	211	0	0	0	0	0	1,215	4,500	27.00%
Travel	0	96	55	98	245	356	0	693	488	800	0	149	2,980	3,000	99.32%
Dues, Subscriptions, Other	0	0	0	0	750	0	0	615	0	0	0	0	1,365	1,500	91.00%
Subtotal	1,090	7,277	620	2,166	8,910	706	1,037	8,228	7,810	7,810	3,380	1,644	44,401	59,200	75.00%
Total	1,983,460	1,557,368	1,804,693	2,464,112	1,815,500	1,802,334	2,922,655	1,731,140	1,731,994	2,025,957	2,143,285	1,703,003	23,685,501	27,706,600	85.49%

Three (3) payrolls posted in the month of July 2013. June 2014 only had one payroll post due to the deferral to July 2014 of the last payroll.

Deferred Compensation June 30, 2014 Budget Status 100% of Fiscal Year

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD AMT	Budget	% YTD
Personnel Costs															
Salary & Wages	176,731	136,819	126,940	105,655	107,545	107,696	111,913	101,270	104,624	105,873	104,248	55,517	1,344,830	1,575,000	85.39%
Benefits	87,974	57,274	54,210	50,068	50,671	50,868	51,198	50,309	50,488	50,508	50,384	17,327	621,280	700,000	88.75%
Wkrs. Comp & Training	996	4,842	125	302	0	0	277	0	0	277	0	0	6,820	10,000	68.20%
CliftonLarsonAllen LLP	0	0	17,500	0	0	0	17,500	0	0	0	0	0	35,000	37,000	94.59%
Nationwide Retirement Solutions	323,757	325,010	327,630	361,637	361,502	361,699	361,982	362,371	363,336	363,811	364,574	270,472	4,147,782	4,650,000	89.20%
Mercer Consulting, Stable Fund	0	0	8,453	0	0	8,453	0	0	8,453	0	0	8,453	33,812	34,000	99.45%
Mercer Consulting, Mutual Fund	0	0	30,172	0	0	30,172	0	0	30,172	0	0	30,172	120,688	121,000	99.74%
Mercer Consulting, Travel (mutual & stable)	0	0	1,485	0	0	1,488	0	0	2,260	0	0	2,148	7,381	7,500	96.41%
Mercer Investments, Strategic Planning	0	0	0	0	0	0	0	0	0	0	0	0	0	58,700	0.00%
Reed Weikamp Shell & Vice	26,034	18,153	35,032	313	14,172	14,378	14,666	13,896	17,618	17,351	13,625	10,720	195,958	198,000	98.97%
Winner Resources	23,466	25,480	10,797	10,916	0	11,394	0	15,224	9,271	11,837	0	6,636	125,000	125,000	100.00%
Investment Advice Program	0	0	0	0	0	0	0	0	0	0	0	0	0	324,000	0.00%
Fiduciary Liability Insurance	731	211	4,075	2,348	3,615	4,139	5,603	4,067	4,225	5,442	1,570	0	58,521	100,000	58.52%
Other Contracted Services	0	762	0	762	0	762	0	762	0	762	0	0	3,048	5,000	60.96%
Security	0	0	0	0	0	0	1,058	0	0	0	0	188	1,246	35,900	3.47%
Misc	0	2,020	1,010	1,010	1,010	2,020	0	2,020	1,010	1,010	0	2,020	12,120	11,500	105.39%
Janitorial	639,687	570,552	675,950	533,011	538,516	590,286	566,979	547,138	592,467	556,871	534,401	403,654	6,749,512	8,192,600	82.39%
Subtotal															
Operating Costs															
Utilities	1,591	1,544	1,491	1,269	1,053	1,453	1,719	1,616	208	3,388	208	2,947	18,487	24,500	75.46%
Rent	26,513	0	0	26,513	0	0	26,513	0	0	26,513	0	0	106,053	106,100	99.96%
Other Rent	346	1,209	975	430	1,554	728	1,544	728	242	1,827	242	1,615	11,440	23,000	49.74%
Maintenance	1,447	2,513	208	598	461	325	269	331	978	0	1,813	5,400	14,343	79,000	18.16%
Postage	0	2,778	1,049	1,256	2,044	1,826	705	951	939	921	782	1,494	14,744	66,000	22.34%
Misc. Services	100	44	1,387	1,381	163	413	3,437	2,060	63	7,485	7,188	1,844	25,564	98,000	26.09%
Telecommunications	467	1,181	1,591	1,167	1,531	1,455	631	848	670	518	749	831	11,627	38,000	30.60%
Computer Services	500	1,607	1,601	14,616	1,595	1,627	2,107	1,607	1,607	6,549	9,523	2,797	45,737	120,000	38.11%
Supplies	0	1,951	2,001	966	1,642	23	1,171	821	843	0	1,091	707	11,216	50,000	22.43%
Commodities	0	0	4,409	494	855	700	1,079	856	0	0	0	1,911	10,303	30,000	34.34%
Travel	26	762	2,960	694	170	170	0	51	443	28	1,504	915	7,744	20,000	38.72%
Dues, Subscriptions, Other	185	375	1,500	0	0	600	295	0	0	0	0	0	2,955	5,000	59.11%
Subtotal	31,176	13,985	19,161	49,386	11,068	9,319	39,470	9,869	5,992	47,229	23,098	20,461	280,213	659,600	42.48%
Capital Costs															
	0	0	0	0	0	0	0	0	0	0	0	0	15,596	25,000	62.38%
Total	670,863	584,536	695,111	582,396	549,584	599,606	606,449	557,007	598,459	604,101	557,499	439,710	7,045,321	8,877,200	79.36%

*Please note that payments to NRS, Mercer, RWSV, and Winner are listed in the month during which the service was performed and not when paid. (\$95,000 to NRS erroneously posted to FY15 but is listed here in FY14 when work was performed.)

Personnel Cabinet-General Operations June 30, 2014 Budget Status 100% of Fiscal Year

(Excluding Workers Comp and Deferred Comp)

	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	YTD AMT	Budget	% YTD
Personnel Costs															
Salary & Wages	1,181,085	828,962	853,300	833,006	853,858	822,648	802,175	818,624	816,451	819,514	813,831	409,807	985,326	10,070,725	97.84%
Benefits	591,359	381,969	397,983	388,049	385,105	387,478	390,000	394,166	386,922	387,145	386,871	142,432	4,615,177	4,707,165	98.05%
Wrs. Comp & Training	6,868	33,574	0	7,159	25	3,960	2,145	3,521	169	1,780	3,658	3,885	66,844	67,550	98.95%
AON Consulting	0	0	0	101,080	0	157,150	0	215,320	44,310	44,380	-198,210	120,330	486,360	487,000	99.87%
Auditor of Public Accounts	0	0	0	0	0	0	0	0	0	0	0	77,810	77,810	77,800	99.78%
CGI Technologies	0	0	0	0	0	0	0	0	0	0	0	374,018	374,018	374,100	99.98%
Legal contracts	3,840	6,080	1,480	4,840	880	1,760	400	0	242	1,400	0	0	20,722	20,800	99.62%
SAP Public Services Inc	0	0	0	0	0	0	0	0	532,188	0	0	0	532,188	541,875	98.21%
Sierra Infosys	0	345,558	285,894	288,469	350,873	289,680	198,586	225,837	253,817	258,478	257,527	235,435	2,970,140	3,020,215	98.34%
Software Information Systems	0	1,010	0	0	0	0	0	0	0	0	0	0	1,010	1,100	91.79%
Sum Total (Pathlore)	0	0	0	0	0	0	0	0	16,812	0	0	0	16,812	16,825	99.92%
TEKsystems	0	0	0	201,471	95,850	109,995	78,613	93,218	89,870	97,968	83,308	146,901	997,193	1,005,725	99.15%
Truven Health Analytics	0	92,500	166,250	-73,750	0	46,250	46,250	46,250	92,500	0	46,250	92,500	555,000	560,000	99.11%
Virusa Corp	0	23,545	0	57,300	0	57,765	0	23,280	33,435	0	0	0	195,325	197,875	98.71%
Other Contract Costs	3,531	11,608	-890	6,698	4,450	1,621	1,678	1,709	2,120	701	1,330	-1,920	32,836	45,655	71.92%
Security	7,781	-955	0	6,842	0	6,836	0	7,228	0	7,228	0	0	27,539	27,710	99.38%
Subtotal	1,784,274	1,723,550	1,704,206	1,880,074	1,772,802	1,818,433	1,551,984	1,851,822	1,777,936	2,189,713	1,461,100	1,636,919	21,251,824	21,661,595	98.11%
Operating Costs															
Utilities	194	62,524	152	152	62,531	152	165	62,537	165	62,537	165	165	251,437	254,725	98.71%
Rent	32,703	133,146	0	32,703	133,146	0	32,703	133,146	0	165,849	0	0	663,397	663,865	99.93%
Other Rent	7,173	3,279	1,894	5,909	9,791	5,246	1,001	6,997	4,320	5,272	2,257	6,924	60,052	63,920	93.95%
Maintenance	11,041	5,598	2,296	1,571	1,328	2,603	7,485	12,502	7,339	7,617	12,079	42,864	114,424	120,230	95.17%
Postage	26	71,061	1,525	47,713	4,186	1,009	3,758	25,525	2,253	3,278	1,858	15,095	177,288	184,520	96.05%
Misc. Services	100	970	8,447	3,522	57,243	235	3,477	1,147	754	1,181	1,722	5,877	94,675	96,875	97.47%
Telecommunications	2,781	5,253	5,074	5,354	5,805	6,323	4,306	5,969	7,658	4,737	2,979	3,048	59,397	61,740	96.21%
Computer Services	9,582	623,209	109,094	195,305	113,838	77,074	219,069	210,709	237,614	1,588,357	341,602	-210,309	3,513,135	3,566,305	98.51%
Supplies	2,403	2,590	3,481	1,892	1,968	1,814	2,288	1,233	3,824	1,573	1,759	2,819	27,644	28,320	97.61%
Commodities	103	793	545	5,006	1,180	8,722	8,397	5,023	1,926	1,011	1,352	996	35,056	36,320	96.52%
Travel	974	1,506	3,852	5,610	6,306	2,489	480	176	3,344	4,033	1	622	29,382	30,550	96.18%
Dues, Subscriptions, Other	3,827	18,811	4,131	1,512	3,278	4,083	3,267	619	1,088	3,750	656	13,997	59,930	59,835	98.49%
Subtotal	70,888	928,740	140,471	368,250	400,700	109,730	286,405	485,613	270,294	1,847,197	368,431	-117,902	5,074,817	5,157,205	98.40%
Total	1,855,162	2,652,290	1,844,678	2,180,324	2,173,502	2,028,163	1,838,400	2,317,435	2,048,230	4,036,910	1,827,531	1,518,017	26,326,642	26,818,800	98.16%

Three (3) payrolls posted in the month of July 2013. June 2014 only had one payroll post due to the deferral to July 2014 of the last payroll.

Office of Diversity and Equality

The Office of Diversity and Equality (ODE) is responsible for the development and implementation of policies, procedures and programs to promote and monitor equal employment opportunity, affirmative action, retention, inclusion, and diversity in Kentucky State Government.

In accordance with our commitment to voluntary and proactive compliance with state and federal equal employment opportunity laws, this office provides consultative guidance to state agencies on the investigation of discrimination complaints, and monitors and reports on minority and female employment.

The ODE staff provides technical assistance, training, and resources on minority recruitment, affirmative action planning, equal opportunity compliance, and workforce diversity to the Personnel Cabinet and other state agencies. ODE also develops and coordinates the Annual Governor's EEO Conference, which is the primary continuing education and training event for EEO coordinators and counselors, investigators, human resource administrators, supervisors, and managers.

Additionally, the Office of Diversity and Equality oversees the development and implementation of workforce diversity initiatives to increase awareness, recruitment and retention efforts.

Equal Employment Opportunity

- **Consultation:** ODE staff has continued to provide one-on-one consultation to cabinet/agency EEO and Human Resources professionals in complaint resolution, investigations (and participation therein), training, and employment procedures.
- **Counseling:** ODE staff has continued to counsel potential EEO complainants via the telephone, one-on-one meetings and email on employee rights and complaint procedures.
- **Anti-Harassment Training:** In the past fiscal year ODE staff has conducted anti-harassment training for over 813 state employees at monthly scheduled trainings, onsite trainings, and online trainings.
- **Conference:** ODE staff planned and implemented the **27th Annual Governor's Equal Employment Opportunity Conference**. This year's conference was a sold-out event held at the University of Louisville Shelby Campus Conference Center. Training topics included: Transgender: The Emerging Diversity, Getting it right: Workplace Investigations, Diversity is Fact, Inclusion is Behavior, Embracing the New Workplace: Hispanic Outreach, Now You're Talking': Understanding Generational Work Styles, and EEOC Legal Updates: What Did the Court Decide?" On behalf of the Personnel Cabinet,

ODE also awarded the Charles W. Anderson Laureate Award to the Honorable Ernesto Scorsone, Judge, Fayette County Circuit Court, at this year's conference.

Additionally, ODE staff partnered with CSI in developing an in-house online registration process for the EEO Conference.

- **2013 EEO-4 Report:** ODE compiled and submitted the bi-annual EEO-4 report on behalf of the Commonwealth of Kentucky to the Equal Employment Opportunity Commission (EEOC) for the 2013 reporting year.
- **EEO KHRIS Reporting:** ODE has taken "ownership" of the EEO reports found in KHRIS for EEO and Affirmative Action reporting purposes and assisted outside cabinets/agencies with their reporting requirements.
- **Staff Development:** ODE has committed to furthering staff education and development through various webinars and other EEO related trainings, including the Equal Employment Opportunity Commission's (EEOC) Technical Assistance Program (TAPs) annual training.

Diversity

- **Diversity Training:** ODE has trained 105 state employees on diversity and inclusion at monthly scheduled trainings and onsite agency requested trainings. This training, "Moving Kentucky Forward: Embracing Diversity and Inclusion in the Workplace," explores various topics concerning our changing workforce and work environments. Through an interactive format, trainees discuss diversity topics, including: the definition of diversity, the business case for diversity and inclusion, the changing demographics of America, the personal barriers to inclusion (prejudice, bias, stereotypes, etc.), the organizational barriers to inclusion (communication, generation gap, policies and procedures, etc.), the impact of self-awareness and perception on inclusion, and the strategies for raising diversity awareness and cultural competency. This training is offered in a classroom format.
- **Generations Training:** ODE has developed and placed in the regular monthly training rotation a diversity training titled "Bridging the Generation Gap in the Workplace." This training addresses the growing concerns over generational conflict in our work environments. For the first time in American history, there are four distinct generations in the workplace. In this interactive training, participants identify the four generations, and discuss the experiences/events that shaped the group characteristics of each, identify the problems associated with the generation gap, compare and contrast the value and potential outcomes of generational interaction, and develop strategies for effective cross generational communication. This training is offered in a classroom format.
- **Agency Training:** In addition to the monthly scheduled trainings for state employees at the Governmental Services Center, ODE staff has also conducted diversity and generations training for the Kentucky Education Television (KET) Board of Directors, the Department of Financial Institutions, State Auditor's Office, Kentucky State Chapter

of the International Public Managers Association, Western State Hospital, and at the TEN-URE Conference.

Affirmative Action

- **Affirmative Action Plan:** In order to maintain an up-to-date approach with Affirmative Action, Equal Employment Opportunity, and Diversity initiatives, ODE completed and submitted the executive branch Affirmative Action Plan (AAP) for Governor's Office review. The Governor's Office approved the new executive branch Affirmative Action Plan on November 15, 2013 via Executive Order 2013-841.

ODE trained Agency Human Resources and EEO professionals on the information and guidelines established by the new executive branch AAP, on the development and implementation of agency/cabinet plans and the new state AAP and EEO reporting requirements established by the new plan.

- **Recruitment:** Personnel Cabinet Secretary and ODE met with the following cabinet secretaries (Kentucky Transportation Cabinet, Education Cabinet, Energy and Environment Cabinet, Labor Cabinet and Tourism, Arts and Heritage Cabinet) to discuss "Minority Recruitment and Retention."
- **Reporting:** ODE continues to monitor employment trends within state government. Along with producing the January – June 2013 and July - December 2013 Semi Annual Reports on Female and Minority Employment, ODE has continued to work with the Division of Employee Management to develop reporting structures within the Kentucky Human Resource Information System (KHRIS) that more accurately represents the race and gender hiring data for the executive branch.
- **Job Classifications:** ODE staff continues to consult the Class and Compensation Branch on designating proper EEO classifications for newly created job specifications.
- **Title VI Plan:** ODE has maintained the Personnel Cabinet's Title VI Plan, regarding the prohibition of discrimination based on race, sex, and national origin in federally funded programs, in accordance with state statute.
- **Governor's Minority Management Trainee Program (GMMTP):** ODE continued to provide leadership, management, and educational programming for the Governor's Minority Management Trainee Program (GMMTP). GMMTP is a two-year program focused on developing minority managers within state government. Opening Ceremony and Orientation for the GMMTP Class of 2014 occurred on August 15, 2012. We held the Graduation Ceremony for the GMMTP Class of 2014 on June 12, 2014.

Miscellaneous

- **Training:** In addition to providing the monthly classroom trainings, ODE staff provided additional Anti-Harassment and Diversity trainings for Western State Hospital, at the TEN-URE Conference, for Sullivan University, KET Board of Directors, IPMA-HR Kentucky Chapter, Secretary of State, Department of Financial Institutions, the Department of Local Government, the Property Valuation Administrators, GAPS EEO Coordinators and Counselors, Personnel Cabinet's Dept. of Human Resources Administration, GMMTP participants, Auditor of Public Accounts, Kentucky Housing Corporation, Kentucky Employee Mediation Program (KEMP), and Department of Treasury.
- **Partnerships:** ODE staff has partnered, in various capacities, with the following organizations: Lexington-Fayette Urban County Government, SkillsUSA Kentucky, the University of Kentucky International Public Policy and Management Institute's Korean student exchange program, the Kentucky Employee Mediation Program, and the Kentucky Future Business Leaders of America, Governmental Service Center (GSC), Kentucky's FFA Convention, and the Division of Career Opportunities.
- **Collaboration:** Also during this year, Executive Director Arthur Lucas has served on the Council on Post-Secondary Education Committee on Equal Opportunities and as President-Elect for the International Personnel Management Association for Human Resources (IPMA-HR) Kentucky Chapter. Additionally, ODE staff member Colene Elridge continued her participation as a mediator in the Kentucky Employee Mediation Program (KEMP), Singer Buchanan serves on the Governor's Reentry Task Force Steering Committee and Clinton Morris serves on the Martin Luther King Commission.

ODE staff continues to support cabinet wide initiatives, programming and events, and ODE staff members continue to serve on various cabinet committees. ODE is committed to doing its part in raising employee morale and making the Personnel Cabinet an inviting and inclusive workplace.

Executive branch Female Utilization (as of June 30, 2014)*

JOB CATEGORY	TOT EMPS	FEMALE EMPS	% FEMALE	FEMALE PROJ % GOAL
EEO GRP 1: OFFICIALS and ADMIN	2,917	1,275	43.71%	50.8%
EEO GRP 2: PROFESSIONAL	18,018	10,352	57.45%	50.8%
EEO GRP 3: TECHNICIANS	1,709	600	35.11%	50.8%
EEO GRP 4: PROTECT SERV WRKR	3,443	657	19.08%	50.8%
EEO GRP 5: PARA PROFESSIONAL	2,589	1,966	75.94%	50.8%
EEO GRP 6: OFFICE and CLERICAL	2,003	1,618	80.78%	50.8%
EEO GRP 7: SKILLED WORKER	2,398	136	5.67%	50.8%
EEO GRP 8: SERVICE MAINTENANCE	1,751	762	43.52%	50.8%
EEO GRP 9: OTHER	1	1	100%	50.8%
JUNE 2014 TOTAL	34,829	17,367	49.86%	50.8%

*Beginning with the July-December 2011 reporting period, employees from the Unified Prosecutorial Service, the Secretary of State’s Office, the Attorney General’s Office, the State Auditor’s Office, the State Treasurer’s Office, and the Department of Agriculture are not included in the “executive branch” utilization totals.

Executive branch Minority Utilization (as of June 30, 2014)*

JOB CATEGORY	TOT EMPS	MIN	% MIN	MIN PROJ % GOAL
EEO GRP 1: OFFICIALS and ADMIN	2,917	211	7.23%	10.7%
EEO GRP 2: PROFESSIONAL	18,018	1,691	9.39%	10.7%
EEO GRP 3: TECHNICIANS	1,709	109	6.38%	10.7%
EEO GRP 4: PROTECT SERV WRKR	3,443	224	6.51%	10.7%
EEO GRP 5: PARA PROFESSIONAL	2,589	383	14.79%	10.7%
EEO GRP 6: OFFICE and CLERICAL	2,003	154	7.69%	10.7%
EEO GRP 7: SKILLED WORKER	2,398	99	4.13%	10.7%
EEO GRP 8: SERVICE MAINTENANCE	1,751	227	12.96%	10.7%
EEO GRP 9: OTHER	1	0	0.0%	10.7%
JUNE 2014 TOTAL	34,829	3,098	8.89%	10.7%

*Beginning with the July-December 2011 reporting period, employees from the Unified Prosecutorial Service, the Secretary of State’s Office, the Attorney General’s Office, the State Auditor’s Office, the State Treasurer’s Office, and the Department of Agriculture are not included in the “executive branch” utilization totals.

Personnel Cabinet Female Utilization (as of June 30, 2014):

JOB CATEGORY	TOT EMPS	FEMALE EMPS	% FEMALE	FEMALE PROJ % GOAL
EEO GRP 1: OFFICIALS and ADMIN	36	19	52.78%	50.8%
EEO GRP 2: PROFESSIONAL	168	134	79.76%	50.8%
EEO GRP 3: TECHNICIANS	17	9	52.94%	50.8%
EEO GRP 4: PROTECT SERV WRKR	--	--	--	--
EEO GRP 5: PARA PROFESSIONAL	1	1	100%	50.8%
EEO GRP 6: OFFICE and CLERICAL	4	3	75.00%	50.8%
EEO GRP 7: SKILLED WORKER	--	--	--	--
EEO GRP 8: SERVICE MAINTENANCE	--	--	--	--
EEO GRP 9: OTHER	--	--	--	--
JUNE 2014 TOTAL	226	166	73.45%	50.8%

Personnel Cabinet Minority Utilization (as of June 30, 2014)

JOB CATEGORY	TOT EMPS	MIN	% MIN	MIN PROJ % GOAL
EEO GRP 1: OFFICIALS and ADMIN	36	4	11.11%	10.7%
EEO GRP 2: PROFESSIONAL	168	22	13.1%	10.7%
EEO GRP 3: TECHNICIANS	17	2	11.76%	10.7%
EEO GRP 4: PROTECT SERV WRKR	--	--	--	--
EEO GRP 5: PARA PROFESSIONAL	1	0	0%	10.7%
EEO GRP 6: OFFICE and CLERICAL	4	0	0%	10.7%
EEO GRP 7: SKILLED WORKER	--	--	--	--
EEO GRP 8: SERVICE MAINTENANCE	--	--	--	--
EEO GRP 9: OTHER	--	--	--	--
JUNE 2013 TOTAL	226	28	12.39%	10.7%

Office of Employee Relations

Responsibilities

The Office of Employee Relations consists of the following branches:

- Workers' Compensation Branch is designed to compensate employees for loss of earning power due to injuries or illness arising out of, and in the course of, their employment.
- Life Insurance Branch administers Basic Life and Accidental Death and Dismemberment coverage to eligible state employees and other special classes.
- Return to Work Branch works to provide temporary modified duty work plans for injured employees. Upon request, the branch also evaluates work areas for ergonomic correctness.
- Workplace Relations Branch administers the KY Employee Mediation Program (KEMP) and the Workplace Resolutions Program.
- Employee Recognition Branch directs the KY Employee Suggestion System, the Governor's Ambassador Award, Public Employee Recognition Week, and employee certificate distribution.
- KY Employee Assistance Program (KEAP) is dedicated to helping employees find solutions to personal problems that may hinder effectiveness at work.

Other programs housed in the Office of Employee Relations include the State Safety Program and Executive Safety Advisory Committee, the Sick Leave and Annual Leave Sharing Program, Family Medical Leave, the Adoption Benefit Program, and the Kentucky Employees Charitable Campaign.

Workplace Violence Prevention training, available online through the Governmental Services Center, offers training for both employees, and supervisors. The Workplace Violence Prevention Guide may be found on both the KEAP and Safety Program websites.

Return-to-Work Branch

The Return-to-Work (RTW) Branch works directly with the Safety Program and the Workers' Compensation Branch to increase oversight of workers' compensation claims and reduce costs. The RTW Branch is staffed with three employees; a manager who is a Certified Rehabilitation Counselor and Certified Case Manager with 20 years of workers' compensation and Return-to-Work experience, and two support staff members with an average of 15 years of experience. The RTW Branch works directly with employers to consult and assist them to develop 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 returned to work as soon as possible. Data for this previous fiscal year demonstrates the savings the Return-to-Work Branch has produced:

- Number of participating employers: 79
- Total number of employees returning to full duty work: 627

- Total approximate savings in temporary total disability benefits: \$792,286.00

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

The Return-to-Work Branch continues efforts to educate employers and employees on the proper ergonomic set-up for work station areas. Best practice is to conduct ergonomic reviews prior to an employee sustaining an injury or illness. This leads to proper body mechanic awareness and increases injury prevention. However, the ergonomic review process can occur anytime during an employee's recuperation period in order to assist with return to work. During FY 13-14, the Return-to-Work Branch conducted 85 ergonomic reviews and 3 job analyses. Staff continues to provide training related to the Americans with Disabilities Act (ADA) as amended (ADAAA). The RTW manager serves as the ADA coordinator for the Personnel Cabinet, Family Medical Leave Administrator, and Sick Leave Sharing/Annual Leave Sharing Administrator.

Kentucky Safety Program

The goal of the State Safety Program is to promote a safe and healthy workplace for state employees and others in the state workers' compensation fund by providing training, education, information, coordination, and assistance in the areas of workplace health and safety, loss prevention, and risk management. These improvements help to reduce costs associated with losses. Emphasis in FY 13-14 was development and implementation of strategies to increase awareness of the importance of safety among state employees. Included in these strategies were chairing the Executive Safety Advisory Committee (ESAC) and providing "Fundamentals of Safety and Health" training to state supervisors.

Executive Safety Advisory Committee

The Executive Safety Advisory Committee (ESAC) includes representatives from various agencies who meet monthly to discuss safety and health. Experts from inside and outside state government present information to the Committee. ESAC shares accident numbers, claim counts, monthly and quarterly accident/incident rates based on the number of accidents per hours worked. The committee most recently has chosen to concentrate its focus on prevention of slip, trip and fall incidents.

The Office of Employee Relations presented annual ESAC Safety Awards at its June meeting in celebration of National Safety Month. These awards recognize cabinets with departments, divisions or offices with "no lost time injuries." Eight agencies received plaques and 129 departments, divisions, or offices received safety certificates for their accomplishments in calendar year 2013.

National Safety Month

In addition to working with other cabinets, the Safety Program works within the Personnel Cabinet to help ensure the health and safety of its employees. In June, the cabinet participated in National Safety Month activities. We distributed safety information to employees. Themes included prescription drug abuse, awareness of surroundings, slips, trips and falls, distracted

driving, and summer safety. A wide variety of free safety educational information is available to employees in the KY State Office Building on an ongoing basis.

Safety Training

“Fundamentals of Safety and Health” is an online training class designed to provide standardized, statewide safety training. This course, available through GSC, teaches basic skills needed to keep workers safe. Sixteen interactive safety trainings are available on the Safety Program website, seven of which are available in Spanish. Participants may print a certificate after successful completion of the course.

Other highlights:

- Coordinated six blood drives alternating between American Red Cross and Kentucky Blood Center. Registered 757 donors and collected 623 units of blood. Recognized by American Red Cross, River Valley Blood Services Region for support of their mission and commitment to service;
- Seventeen employees currently certified in first-aid, CPR, and AED;
- Personnel Cabinet received the ESAC Safety Award and certificates for nine areas within the cabinet for “no lost time” injuries.

Kentucky Group Life Insurance Branch

The Kentucky Group Life Insurance Branch administers the state sponsored life insurance contract. These duties include maintaining the eligibility database, enrollment processing, generating bills, reconciling payments, issuing refunds, managing claims processing, generating and mailing summaries of coverage, distributing materials, and providing customer service.

Eligible employees receive \$20,000 of basic insurance coverage and accidental death and dismemberment coverage free of charge. Employees may choose to purchase dependent and optional plans. Coverage is contracted through Nationwide Insurance Company.

Nationwide is responsible for approving and processing death claims, providing underwriting services, and conversion account setup.

The branch administers group life insurance for 135,885 eligible employees at 476 locations. Of this number 18,257 employees have elected additional coverage under the optional policies and 15,587 employees have elected to cover family members with a dependent plan. During FY 2014 the Branch issued an RFP for a new life insurance contract and will significantly lower costs for the Commonwealth beginning in calendar 2015.

Workplace Relations Branch

The Kentucky Employee Mediation Program (KEMP) provides dispute resolution for executive branch employees. Either employees or managers may request this service. During FY 2014, 26 mediations were conducted, involving 85 participants. Fifty-two percent were referrals from the Personnel Board.

Eleven Workplace Resolutions were completed, with 143 participants. A manager or above may request this process when an entire group is in conflict. A pair of facilitators talk with each member of the group separately and develop recommended solutions.

In addition to the program manager, there are 18 certified part-time mediators. These volunteer mediators are state employees who work in various cabinets and agencies.

There were 1,215 contacts in the form of phone calls, emails, and personal visits. These were requests for information and for services.

Along with serving state employees in the executive branch, KEMP mediators have provided services to the Legislative Branch, constitutional offices, and quasi state agencies when time permits.

Using these free services for dispute resolution saves the Commonwealth hundreds of thousands of dollars that would have otherwise been spent in Personnel Board appeals, investigations, or litigation.

Employee Recognition Branch

Employee Suggestion System

State government employees use an Internet-based system in KHRIS to submit employee suggestions online. This efficient process helps identify the Commonwealth as a leader in recognizing and managing employee ideas. The form is simple, user-friendly, and fast. Employees receive immediate confirmation of their suggestion and are able to track it throughout the process. During FY13-14, employees submitted 475 suggestions, and Employee Relations awarded \$9,300 to 21 state employees. Implemented suggestions led to estimated first-year savings of \$105,400.

Governor's Ambassador Award

The fifth Kentucky Governor's Ambassador Awards program occurred on October 9, 2013. Five individuals and a team of public service employees received recognition in six categories: customer service, courage, leadership, professional achievement, teamwork, and community service and volunteerism.

Employee Relations received one hundred and two (102) nominations. A selection committee reviewed and selected three finalists in each category. Governor Beshear then selected the six overall winners in each category. Nominees attended the awards ceremony, and award recipients received the honor of having a personalized engraved brick placed along Ambassador Avenue outside the Thomas D. Clark Center for Kentucky History.

Public Employee Recognition Week

Each year, during Kentucky Public Service Recognition Week we honor those who serve Kentucky as state and local government employees. The Employee Recognition Branch coordinates this effort within the Personnel Cabinet, and provides an on-line toolkit of ideas for use by other agencies. Governor Beshear proclaimed Sunday, October 6 through Saturday, October 12 as KY Public Employee Recognition Week. The Personnel Cabinet sponsored the

sixth statewide poster contest for school age children to increase awareness of state employee achievements and contributions. The theme for the poster contest was “State Employees-- Making a Difference Every Day in Every Way.” Banners proclaiming this special week were on display outside the Capitol, State Office Building, Transportation Cabinet, and the Cabinet for Health and Family Services.

Employee Recognition Certificates

KRS Chapter 18A employees received service certificates in honor of their dedicated completion of 5, 10, 20, 30 and 40 years of service from the Personnel Cabinet. Recognition certificates were processed for 3,212 employees. Retirement certificates were presented to 1,268 employees. The total number of certificates presented totaled 4,480.

Worker’s Compensation Branch

Employees in the Worker’s Compensation Branch (WCB) focus on customers’ individual needs and on cost containment. Branch employees work well with agencies and injured employees and have not received a single complaint about the payment of benefits again this FY year.

First Report of Injury forms are submitted electronically, however, employees take emergent or catastrophic injuries by telephone during business hours so that immediate management of benefits can begin. To further extend services, contact information was listed on our website for serious injuries that may occur after hours or weekends. During severe weather and any emergency, WCB employees are proactive with Emergency Management centers to assist injured employees. The WCB and the Return-To-Work Branch are participating in the State Health and Medical Preparedness Advisory Committee (HMPAC) to improve the response in an emergency in Kentucky.

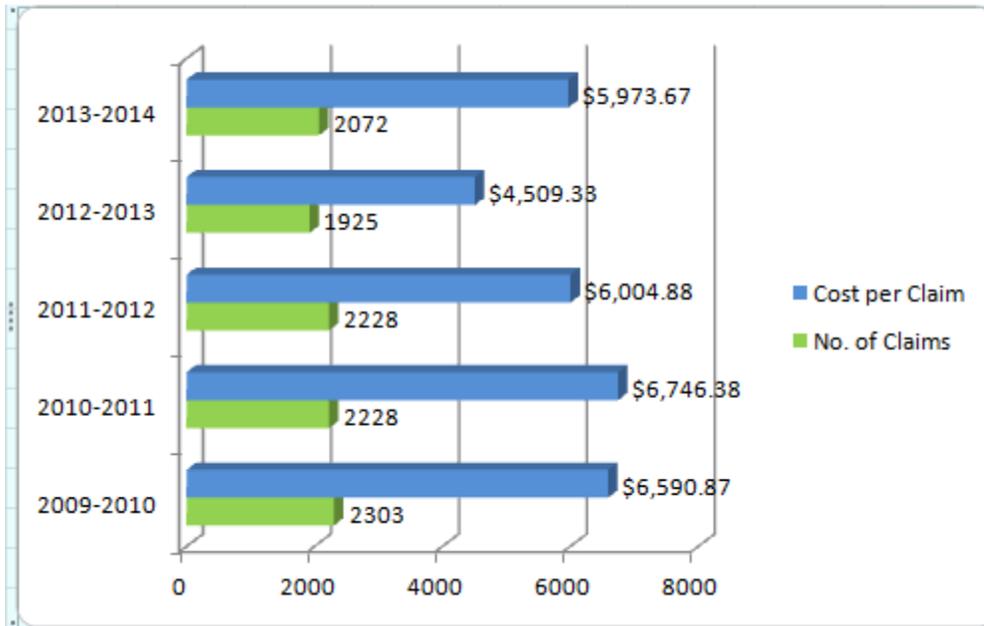
Over the past fiscal year WCB was focused on saving money and increasing efficiency, while continuing to provide expert customer service to injured employees. Program financials are documented by independent program audits. Return-to-Work and Safety Programs combined with Managed Care and claims handling expertise continue to provide a positive influence on spending despite the rising cost of medical services. The total cost per claim does not show a steady increase as is typical of most workers’ compensation programs; there is no decrease in service associated with this stability. A new Kentucky Medical Fee Schedule was adopted this fiscal year however it is too soon to evaluate the impact of the increases.

Cost containment measures, pharmacy benefit reductions, and creative claim settlement practices have kept the Commonwealth’s program somewhat below national trending. This year we joined the Workers’ Compensation Research Institute to participate in national discussions regarding workers’ compensation research, reforms, and management. Our program was the only public program selected to participate in a separate conference to analyze and explore creative solutions.

The claim numbers used are actual numbers with no IBNR expectation. Two fiscal years were at 2,228 reported claims which show how consistent program injury reporting is for the Commonwealth. The *cost per claim* is usually not an accurate indicator until after the second to

fourth year following an injury when permanency and regular medical/pharmaceutical treatment is known.

Kentucky has lifetime medical benefits on claims unless a voluntary settlement is approved which limits specific benefits. The program is responsible for workers' compensation claims that occurred in the late 1970's forward and provides workers' compensation coverage for volunteer firefighters through the Kentucky Fire Commission.



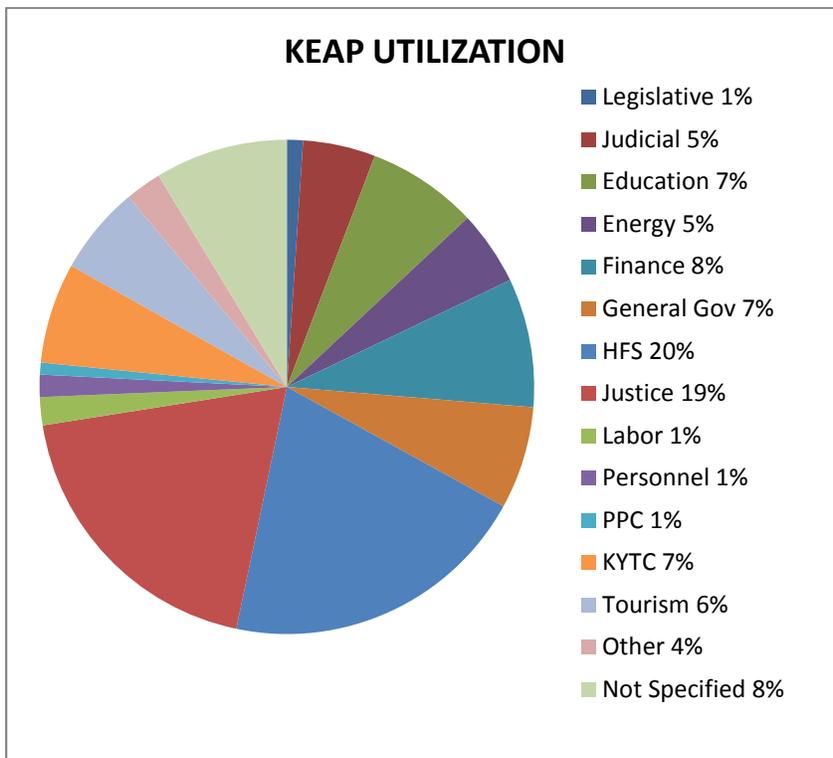
Program highlights for FY 2014 include:

- Received and processed **3871** First Report of Injuries
 - Report Only: **1,799**
 - Medical Claims: **2,072**
- Provided coverage for approximately **85,000** employees in **120** counties throughout the Commonwealth;
- Provided coverage for approximately **25,000** volunteer ambulance workers and firefighters in **118** counties;
- Received and processed **1,742** temporary total disability benefit checks for accumulated leave reimbursement;
- Total recoveries: **\$111,100**
- Subrogation Recoveries (limited by case law AIK v Bush): **\$174,300**
 - Special Fund: **\$68,200**
- Pharmacy Benefit Program provided **\$696,600** in savings
- Rx rejection savings total of **\$1,347,200**
- Legal assignments: 86 claims went into litigation and were assigned to defense attorneys
- 101 fillings by plaintiff: **55**
- Med fee dispute: **22**
- Misc. attorney assignments: **9**

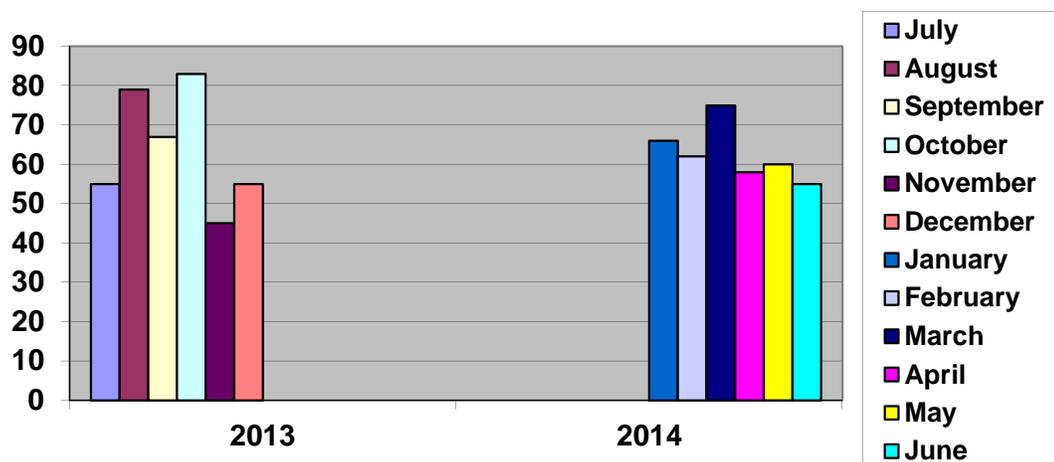
- Duplicate charges that were billed and not paid **\$956,600**
- PPO Reductions - **\$412,200**
- Total adjuster savings through specific claim management **\$2,094,600**
Includes: negotiated fees, successful medical fee disputes, compromise settlements, fast pays, investigation

Kentucky Employee Assistance Program (KEAP)

During FY 13-14, the Kentucky Employee Assistance Program provided direct employee assistance services to 760 state employees and/or their family members presenting as new clients. The cabinets in which employees most utilized services were the Cabinet for Health and Family Services (20%) and the Justice and Public Safety Cabinet (19%). Topics most frequently presented include mental/emotional health (26%) and job stress (22%).



NEW CLIENT TOTALS



KEAP staff was involved in many workshops and meetings resulting in numerous contacts. These include regular presentations at GSC on topics such as Stress Management, Time Management, Building Resilience and Verbal De-escalation Skills. KEAP staff also conducted workshops on a variety of mental health and work/life balance topics to agencies upon invitation. Classroom workshops are now available in webinar formats and offered through the Personnel Cabinet allowing the participation of state employees from their desktops. KEAP counselors presented at a number of agency events and conferences. In addition, staff consulted with many agency personnel offices on how to effectively address troubled employee situations.

Adoption Benefit Program

Supporting our team members who wish to adopt children, we provide assistance up to \$3,000 and more in certain instances.

- During FY 2013-2014, 13 applications were approved, totaling \$48,200. Since its inception in 1999, this program has provided \$895,800 in assistance to 302 employees.

Kentucky Employees Charitable Campaign (KECC)

Each year the Personnel Cabinet administers the Kentucky Employees Charitable Campaign (KECC).

The purpose of the campaign is to raise funds through a single source for a number of state approved charities including: The Christian Appalachian Project, Easter Seals Kentucky, United Way of Kentucky, Community Health Charities, Prevent Child Abuse Kentucky, WHAS Crusade for Children, March of Dimes, and Kosair Charities. KECC eliminates the need for multiple charities to solicit donations year-round and allows employees, who wish to participate, the ability to do so through payroll deductions or a one-time cash donation. Last year, state employees raised more than \$1.2 million to help build a better Kentucky! We strive to create a culture in which our employees go one step beyond and extend a helping hand to Kentucky communities.

Office of Legal Services

The Office of Legal Services' (OLS) primary mission is to oversee the administration of legal services for the Personnel Cabinet. The office performs various tasks including drafting legal pleadings, memoranda, proposed legislation, proposed regulations, and legal opinions. Members of the OLS represent the Cabinet in administrative hearings and trials before state and federal administrative agencies and courts, and also serve as expert witnesses for other agencies regarding the state merit system. The Executive Director of OLS is the Cabinet's Custodian of Records for purposes of the Kentucky Open Records Act, and is responsible for responding to all open records requests and subpoenas in a timely manner. Additionally, the attorneys within the OLS testify before legislative committees on all matters addressing state government employment upon request. OLS assists the Personnel Secretary in his or her appointed role on the Government Employee Advisory Council (GEAC), and also participates in GEAC unit negotiation sessions. In addition to these roles, OLS conducts training on personnel issues impacting the Commonwealth and makes presentations on key personnel issues.

Additional responsibility also lies with OLS to provide legal guidance and assistance to executive branch agencies on all facets of employment law. This involves frequent consultation with agencies on the application and enforcement of state and federal laws and regulations, as well as assistance with day-to-day personnel issues which arise.

OLS also serves as legal counsel for all departments and branches within the Personnel Cabinet responsible for administering employee benefits such as health insurance, life insurance, workers' compensation insurance, and employee assistance programs. In this role, OLS provides guidance on state and federal mandates (such as the Internal Revenue Code, HIPAA, COBRA, and most recently the Patient Protection and Affordable Care Act), which are associated with sponsoring and administering the Kentucky Employees Health Plan, a self-funded IRC 125 cafeteria plan.

During the fiscal year of 2013-2014, the Office of Legal Services:

Personnel Board-Related Matters

- Reviewed and consulted with agency attorneys and administrators with respect to 285 appeals filed with the Personnel Board during the fiscal year.
- Reviewed and approved all Personnel Board settlement agreements involving executive branch agencies, as well as settlements which occur in other legal forums such as the Human Rights Commission.
- Provided legal support and guidance with respect to four (4) Personnel Board Ordered Desk Audits.
- Attended monthly Personnel Board meetings, provided a summary of the Cabinet's activities, suggested regulation amendments, and reported on trends throughout the HR enterprise.

- Provided assistance and documentation when requested with respect to Personnel Board investigations.

Litigation

- Represented the Personnel Cabinet in 24 Personnel Board appeals filed this fiscal year, among others. Reviewed a total of 285 Appeals received from the Personnel Board during fiscal year 2014.
- Represented the Personnel Cabinet and other agencies in three (3) cases before the Franklin Circuit Court and Kentucky Court of Appeals.
- Served as counsel for other agencies in the event of an internal conflict within the outside agencies.

Requests for Information

- Served as the Records Custodian for the Personnel Cabinet.
- Processed 161 requests submitted under the Kentucky Open Records Act and notified agencies and employees in appropriate cases.
- Reviewed and responded to 279 Employee Requests for Inspection of Records.
- Responded to 554 Investigative Requests for Employment from the U.S. Office of Personnel Management.

Personnel Actions

- Reviewed and either approved, denied or requested further information on hundreds of background check files.
- Reviewed and either approved or requested additional documentation regarding the following personnel actions:
 - Reclassifications 1,599 of 1,599
 - Position Number Changes External 512 of 1,158
 - Position Number Changes Internal 2,087 of 4,388
 - Suspensions 599 of 599
 - Leave with Pay actions 171 of 171
 - Leave without Pay actions 199 of 199
 - Return from Leave With Pay 83 of 83
 - Return from Leave Without Pay 42 of 120
 - Separations 1,030 of 5,158
 - Retirements 31 of 1,244
 - Work County Changes 209 of 209
 - Voids 20 of 20
- Reviewed, requested further information when necessary, and recommended for approval by the Secretary of the Personnel Cabinet of renewals of temporary assignments of other agency employees, special investigative leave actions, and petitions for written reprimand removals.

General Guidance/ Legal Assistance

- Fielded numerous telephone calls from state employees regarding issues relating to personnel matters, human resources, benefit information, open records, and background checks.
- Provided legal guidance to state agency representatives with respect to personnel-related matters.
- Attended and briefed the Personnel Council and the Human Resource Leadership Council regularly on HR updates, trends, and developments.
- Assisted with internal personnel disputes and disciplinary actions by providing legal guidance and conducting investigations.
- Met regularly with the Personnel Cabinet Division of Career Opportunities to provide ongoing legal assistance.
- Met regularly with the Personnel Cabinet Division of Employee Management to provide ongoing legal assistance with respect to multiple issues, including the implementation and operation of KHRIS, federal tax issues involving the Internal Revenue Service (IRS), the placement of Office of Mine Safety and Licensing employees in lieu of layoff.
- Assisted the Office of Employee Relations in response to multiple inquiries with respect to compliance with the Family and Medical Leave Act (FMLA), Americans with Disabilities Act, and Personnel Cabinet leave regulations, and the Kentucky Employees Charitable Campaign, among other things.
- Issued formal guidance to agencies regarding the use of sick leave by personnel action and disciplinary fines. Updated the Personnel Cabinet Disciplinary and Personnel Actions Guide to comply with this guidance.
- Issued formal guidance to agencies regarding the federal Family and Medical Leave (FMLA) notice requirements.
- Created FMLA training for human resources administrators and supervisors throughout state government.
- Assisted the Center for Strategic Innovation with the implementation of a State Employee Discount Website.
- Reviewed and approved Governmental Services Center training and workshop materials.

Legislative and Regulatory Matters

- Assisted with legislation during the 2014 regular session
- Attended Legislative Committee hearings and provided testimony regarding key issues facing the Commonwealth HR enterprise.
- Updated the leave regulations 101 KAR 2:102 and 101 KAR 3:015 to clearly define sick leave without pay and sick leave by personnel action.

Governor's Employee Advisory Council

- Actively engaged with the Governor's Employee Advisory Council (GEAC), and provided guidance to all agencies outlining the scope of employee steward engagement.

Additional Roles

- Represented the Personnel Cabinet on the General Record Retention Schedule for State Agencies Committee.
- Served as the Cabinet's Ethics Officer and reviewed all outside employment requests and internal ethical considerations.

Kentucky Employees' Health Plan

- Provided daily legal advice to Department of Employee Insurance (DEI) as administrator of the Kentucky Employees' Health Plan (KEHP).
- Attended the Kentucky Group Health Insurance Board, Advisory Committee, and Kentucky Retirement System's board meetings.
- Assisted in developing administration rules and amending the Administration Manual for use by Insurance Coordinators and Human Resource Administrators.
- Drafted and reviewed RFP's, MOAs, and various other agreements between DEI and third parties.
- Negotiated and renewed KEHP vendor contracts and business associate agreements with Humana, Inc.; Express Scripts, Inc.; First Onsite, LLC; AON and other vendors.
- Assisted with preparation for the 2014 Open Enrollment. Drafted new policies and forms for use during Open Enrollment.
- Filed Kentucky Employees' Health Plan Summary Plan Descriptions for 2014 with LRC following review by the Cabinet for Health and Family Services.
- Counseled DEI on annual audits.
- Researched, provided legal analysis, drafted compliance documents, and participated in the federal audit of the Early Retiree Reinsurance Program.
- Conducted legal analysis of various guidance and regulations produced by the U.S. Department of Labor, the IRS, and HHS implementing the Patient Protection and Affordable Care Act (H.R. 3590) (the "Reform Act") as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (H.R. 4872) (the "Reconciliation Act").
- Presented information regarding federal health care reform to interested parties. Drafted FAQs and other guidance regarding health care reform for employers participating in KEHP.
- Provided legal advice and assistance regarding compliance with federal laws, including IRS and the Department of Labor rulings affecting KEHP. Drafted legislation to allow for flexibility in the administration of Health Reimbursement Accounts to ensure compliance with federal law.
- Drafted new HIPAA Business Associates Agreement to comply with the 2013 HIPAA regulations. Acted as the Privacy Officer for DEI.
- Established an internal HIPAA compliance task force to discuss HIPAA security issues. Drafted HIPAA Security and Privacy Policies for review by the task force.

Other Employee Benefits

- Researched various issues and provided legal advice regarding life insurance, workers' compensation insurance, and the Kentucky Employees Assistance Program (KEAP) administered by the Office of Employee Relations within the Personnel Cabinet.
- Provided legal advice to KEAP regarding the application of HIPAA to the employee assistance program.
- Provided legal advice to the Workers' Compensation Branch regarding participation in the workers' compensation self-insurance fund.

Department of Employee Insurance

Responsibilities

Within the Department of Employee Insurance (DEI), our goal is to develop and maintain the best overall health plan for all members of the Kentucky Employees' Health Plan (KEHP). We aim to provide:

- The most economical group of plans and diversified coverage for our members, both active and retired.
- State of the art health plans reflecting current health and medical concerns.
- Proactive methods to improve wellness and encourage healthy lifestyles through a variety of wellness initiatives including the HumanaVitality program that is free to all health plan members; HumanaVitality integrates rewards with healthy behaviors in an online platform for easy and quick access by members across the Commonwealth.

KEHP is a \$1.8 billion, self-funded, health insurance program which provides benefits to nearly 290,000 public employees, retirees, and their dependents. DEI also operates a Flexible Spending Account Program for public employees.

DEI's objectives are to:

- Support public employees with health insurance and flexible benefit accounts;
- Provide exemplary customer service to KEHP members, which include employees and dependents from state government, boards of education, health departments, retirees and quasi agencies;
- Receive, analyze and maintain health insurance data to assist the Commonwealth in making decisions related to KEHP; and
- Serve as the administrative arms for the Kentucky Group Health Insurance Board (KGHIB) and the Advisory Committee of State Health Insurance Subscribers (ACSHIS), which includes the development of recommendations on the future direction of KEHP.

Commissioner's Office

The Commissioner's Office includes the Commissioner of DEI and the Commissioner's staff. The Commissioner reports directly to the Secretary of the Personnel Cabinet. The Commissioner's Office is charged with overseeing the Department and its daily operations. The Commissioner's Office also includes the State Wellness Office.

Division of Insurance Administration

The Division of Insurance Administration consists of two branches, the Member Services Branch (MSB) and the Enrollment Information Branch (EIB).

Member Services Branch

The Member Services Branch (MSB) is chiefly responsible for providing customer service to KEHP members, leading open enrollment, and educating KEHP members on health insurance issues and KEHP's LivingWell Promise requirements. Other functions include assisting KEHP members with claims and other inquiries; maintaining KEHP's Smoking Cessation Program; serving as a liaison between members and KEHP's COBRA administrator; acting as a liaison between Medicare, third party administrators, and members; processing member eligibility grievances; maintaining grievance information and statistics; obtaining contracts for all new groups joining KEHP; conducting benefit fairs for open enrollment; providing training for Insurance Coordinators (ICs), Human Resource Generalists (HRGs) and assisting other departments as needed.

Enrollment Information Branch

The Enrollment Information Branch (EIB) is responsible for assisting members, ICs, and HRGs throughout the year with KEHP policies and procedures concerning eligibility and enrollment; qualifying event changes; and, health insurance applications. The Branch maintains accurate information on all members related to demographics, health insurance coverage, health reimbursement accounts, and flexible spending accounts; and staff attends benefit fairs to answer member questions and provide health insurance information.

Division of Financial and Data Services

The Division of Financial and Data Services consists of three branches, the Financial Management Branch (FMB), Premium Billing Branch and the Data Analysis Branch (DAB).

Financial Management Branch

The Financial Management Branch (FMB) is comprised of the financial staff that provides services to KEHP and oversees KEHP's Trust Fund. The financial staff reimburses KEHP's third party administrators for claims and administrative fee collection, along with reconciling any discrepancies to meet contractual obligations. The financial staff also produces reports for the Governor, the General Assembly, the KGHIB, the ACSHIS, various advocacy groups, and other interested parties.

Premium Billing Branch

The Premium Billing Branch (PBB) is responsible for collecting health insurance and life insurance premiums, administrative fees, and flexible benefit contributions that process through the Kentucky Human Resource Information System (KHRIS). This is accomplished by creating monthly invoices for participating agencies, contacting insurance coordinators on a monthly

basis to help resolve discrepancies, reconciling accounts, providing training, and serving as a liaison to ensure that agencies' needs are met.

Data Analysis Branch

The Data Analysis Branch (DAB) analyzes, evaluates and interprets health insurance data from all available sources and prepares reports for distribution to appropriate individuals within and outside the Personnel Cabinet. DAB assesses the impact of proposed legislation on KEHP; provides input to the Commonwealth's budget process with respect to KEHP; and, collects, maintains and analyzes enrollment and claims payment data from KEHP's third party administrators through a consolidated database. DAB procures data analysis services to establish and maintain a comprehensive database of eligibility and claims utilization data necessary to manage KEHP; provides reports to the KGHIB and the ACSHIS; and provides information for other agencies or individuals. DAB also provides systems research, analysis, design and testing support and basic production support for KHRIS. This includes the online Benefits Administration and Benefits Accounting modules used by Health Departments, Boards of Education, Quasi-Governmental Agencies and various KY Retirement Systems who participate in KEHP. The system and "how to" user-based support provided by DAB is available to DEI staff and KHRIS project staff, as well as external ICs, HRGs, Billing Contacts and HR Administrators throughout the Commonwealth.

Accomplishments

DEI continues to be a customer-focused organization which provides efficient, effective, and responsive service to its members. DEI 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 nearly 290,000 members and dependents enrolled in health insurance and flexible benefit plans.

In calendar year 2014, KEHP introduced health insurance plan options which included a wellness component. The four health insurance plan options available in 2014 are the LivingWell Consumer Driven Health Plan (CDHP), the LivingWell PPO, the Standard PPO and the Standard CDHP. The LivingWell Promise is an agreement from the planholder to complete the HumanaVitality Health Assessment between January 1, 2014 and May 1, 2014, and to keep contact information in the Kentucky Human Resource Information System (KHRIS) current. In return for fulfilling the promise, planholders are eligible to choose from a LivingWell health insurance plan option which offers better benefits in the form of lower member coinsurance, lower deductibles, and lower out-of-pocket maximums. The two standard plan options do not contain a LivingWell promise.

KEHP had a 97% success rate in members fulfilling their LivingWell promise. In turn, KEHP members are now more aware of their health status and concerns. Awareness is key to making lifestyle changes.

Another KEHP initiative for 2014 was covering the Diabetes Prevention Program (DPP) for KEHP members. This program is for people who have pre-diabetes or who are considered at very high risk of developing diabetes. DPP participants meet in person as a group, with a lifestyle coach, once a week for 16 weeks. The lifestyle coach helps participants make important changes such as losing weight, being more physically active and managing stress.

KEHP also has a Flexible Spending Account (FSA) program and offers a Healthcare FSA and a Dependent Care FSA. A Healthcare FSA is available to pay for healthcare services such as copayments, deductibles, coinsurance, medical supplies, and dental and vision services with pre-tax dollars. A Dependent Care FSA is for daycare services for a child or an adult being paid with pre-tax dollars. There are limits on the amount a member may contribute into a Flexible Spending Account.

KEHP works with several partners in providing benefits. Humana and Express Scripts, Inc to assist with the administration of KEHP's business and provide specialized services to our members. Other partners include:

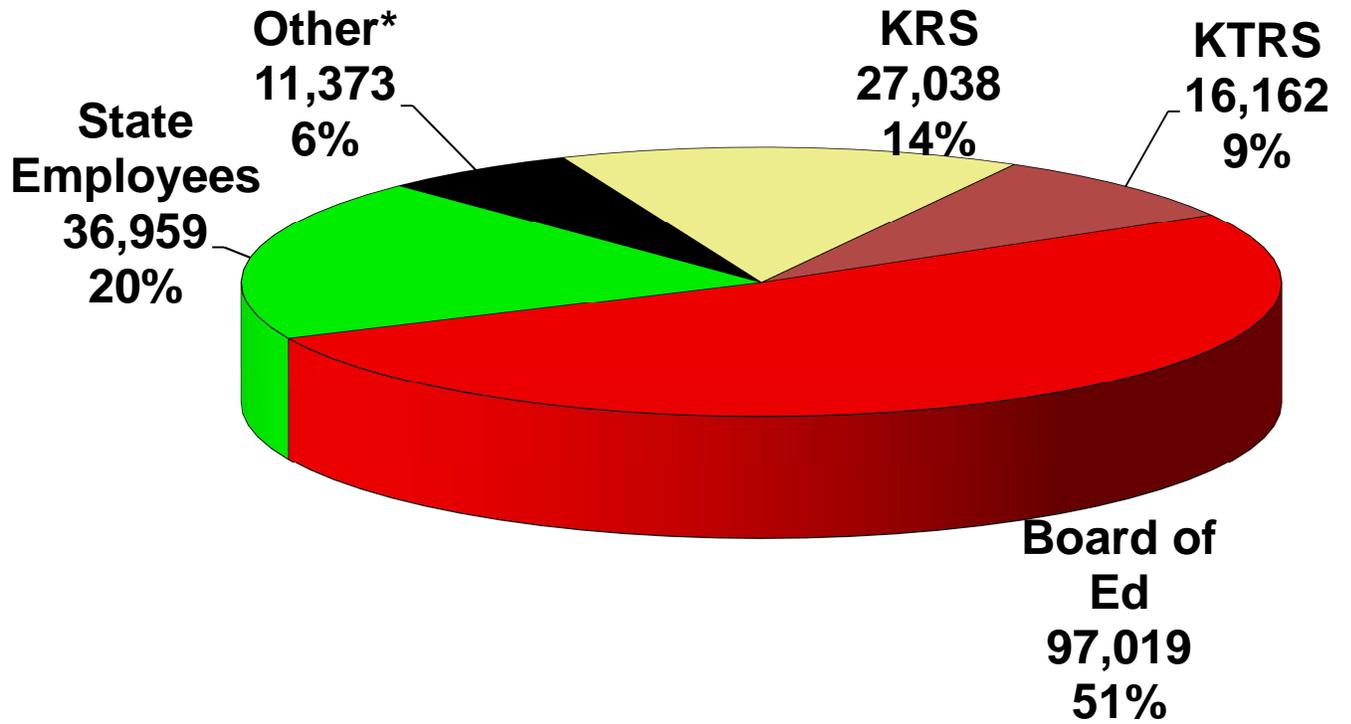
- HumanaVitalitySM is a rewards-based wellness program designed to empower members of KEHP to live healthier lives.
- Compass ChoiceRewards is a program that uses financial incentives to motivate and redirect members to lower-cost, high-quality provider facility locations.
- Ceridian COBRA Continuation Services administers COBRA continuation services for KEHP Members.
- In the first quarter of 2014, KEHP released RFPs that included contracts for vendors to administer medical, pharmacy, wellness, FSA/HRA/COBRA/HIPAA, and transparency services. KEHP management and staff spent a tremendous amount of time in the first and second quarters of 2014 reviewing RFP responses and then initiating implementation procedures with the selected vendors. The vendors selected to provide services effective January 2015 are:
- **Medical:** Anthem Blue Cross Blue Shield (Anthem). Anthem has operated in Kentucky for more than 75 years, and is the largest carrier in the Commonwealth. We are excited to work with this new partner, who will offer an even bigger network of providers, excellent service and technology, and significant opportunities to help hold down costs. We have had a successful partnership with Humana who has been our medical plan administrator since 2006, and we plan to build on this success.
- **Pharmacy:** CVS Caremark. The CVS Caremark network includes more than 67,000 pharmacies nationwide, including chain pharmacies and 20,000 independent pharmacies. It is important to know that members do not have to use a CVS pharmacy and may continue to use their existing retail, grocery store, independent pharmacy, etc.
- **FSA/HRA/COBRA/HIPAA:** WageWorks. A leader in administering Flexible Spending Accounts (FSA) and Health Reimbursement Accounts (HRAs), WageWorks is solely dedicated to administering pre-tax spending accounts which empower employees to save money on taxes. They also provide COBRA

administration services. WageWorks cares about people and wants to empower everyone to lead healthier, happier, and more productive lives. They make benefits programs easier to understand and use so that everyone can take advantage of pre-tax savings and focus on what matters most.

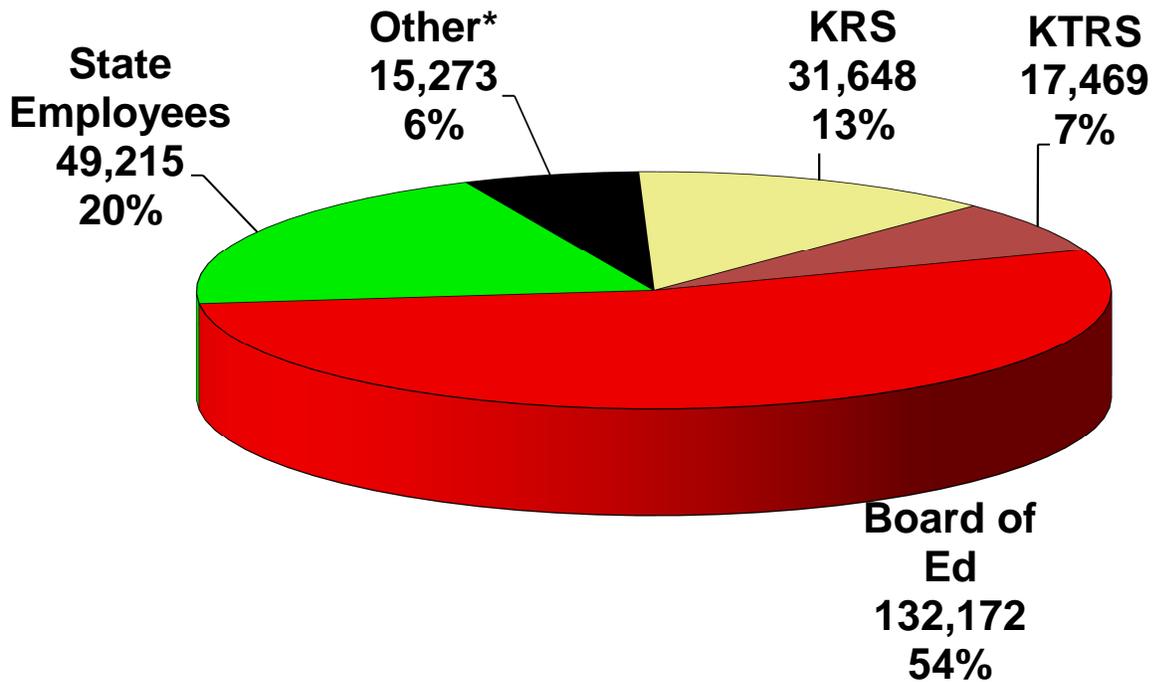
- **Wellness:** HumanaVitality. HumanaVitality has been a strong partner with KEHP for several years. With the HumanaVitality program we've made tremendous strides in helping our members increase awareness of their health. This year more than 135,000 members have taken their Health Assessment and almost 16,000 have received a biometric screening.
- **Transparency:** Compass Healthcare Advisers. Compass has been a strong partner with KEHP since our pilot program began in 2013. KEHP members are utilizing the service and providing positive feedback, generating financial savings to our members and the plan. Compass serves more than 200 businesses in helping to lower the cost of healthcare. The Compass team brings more than 100 years of healthcare experience to their clients and their team is dedicated to serving KEHP members.

Following are a few snapshots of KEHP enrollment and HumanaVitality activity status.

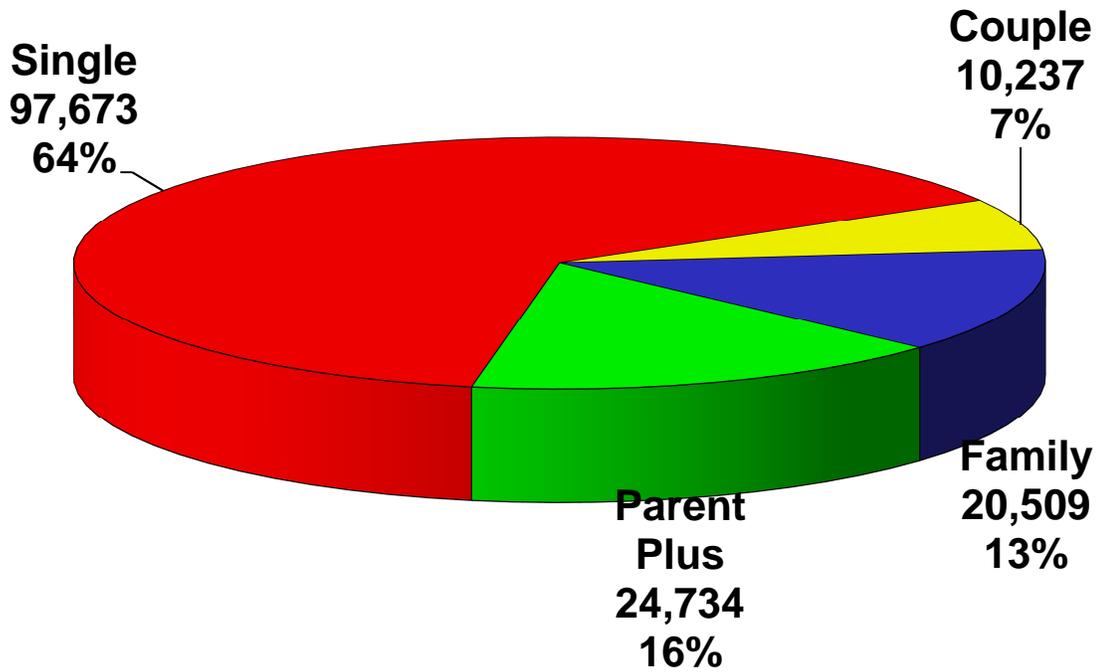
KEHP Planholders by Group



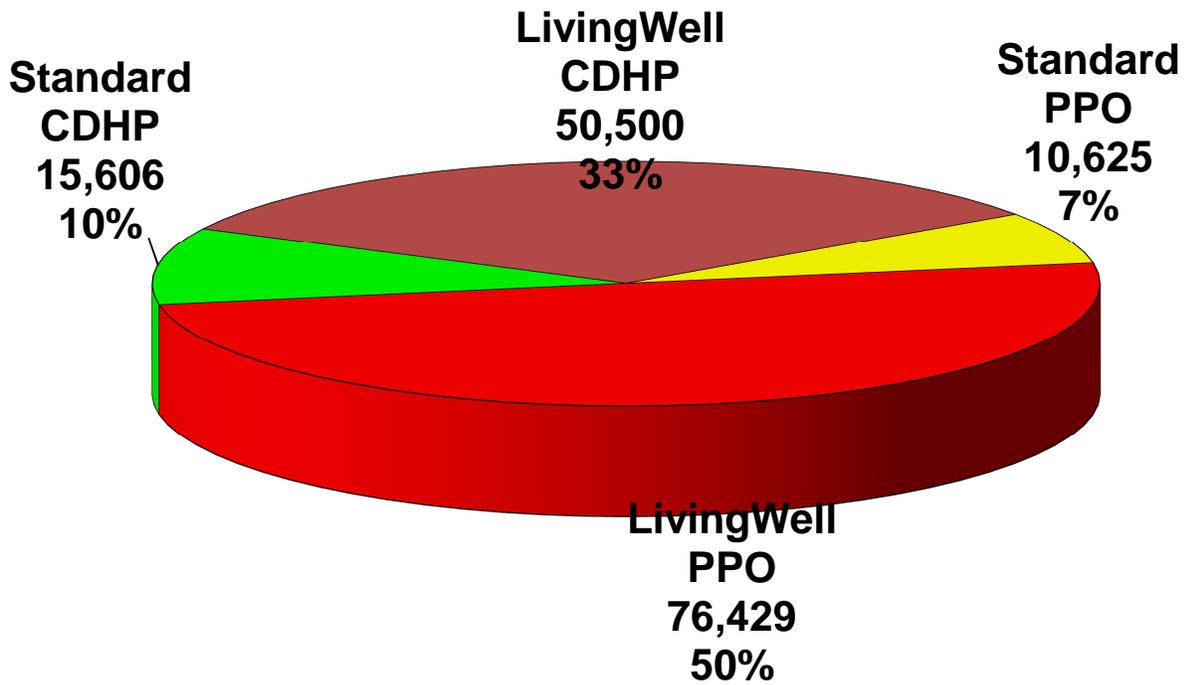
KEHP Members by Group



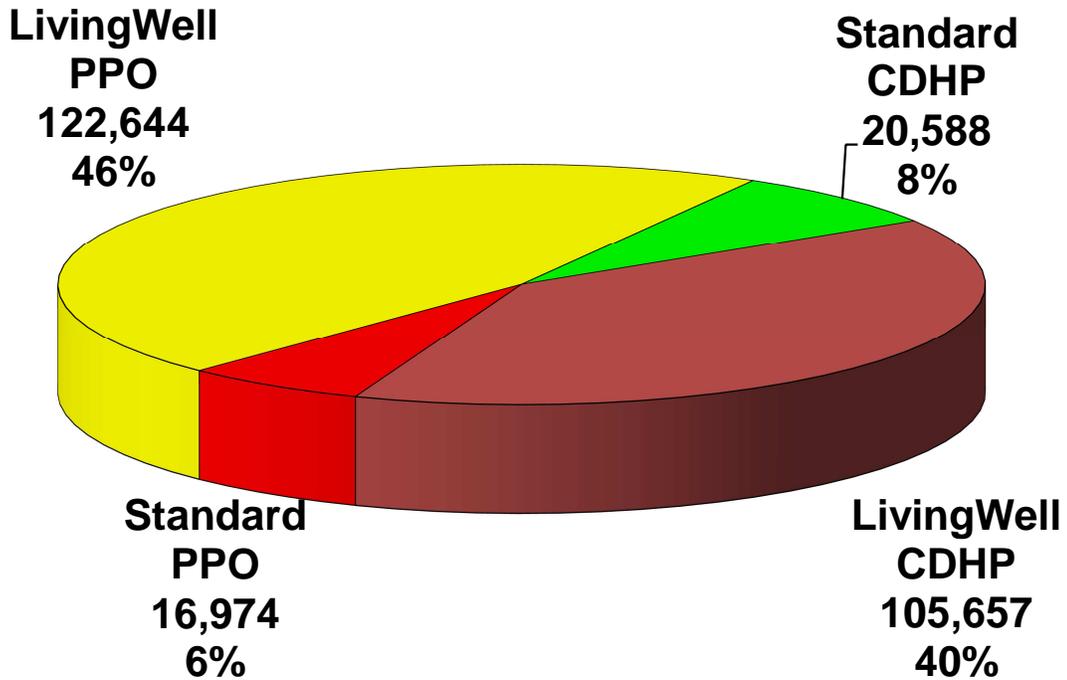
KEHP Planholders by Coverage Level



KEHP Planholders by Plan Option



KEHP Members by Plan Option



KEHP Members by HumanaVitality Participation Level – 2013/2014

HumanaVitality Participation Level	3Q13	4Q13	1Q14	2Q14
Health Assessment	15,089	34,990	79,261	136,465
HumanaVitality Blue Level	233,075	200,330	128,358	37,563
HumanaVitality Bronze Level	27,825	61,272	134,312	218,680
HumanaVitality Silver Level	1,111	2,266	2,674	6,058
HumanaVitality Gold Level	252	392	147	734
HumanaVitality Platinum Level	322	520	54	427
Health Coaching New Member	52	88	216	196
Health Coaching Active	1010	1,190	1,443	464
Biometric Screenings	2867	5,875	8,673	15,570

Highlights of DEI's key accomplishments:

- Conducted 17 Benefit Fairs across the Commonwealth; offered computer kiosks at 16 to assist members with online enrollment.
- Offered biometric screenings and free flu shots at all 17 Health Fairs Offered Open Enrollment data assistance to Insurance Coordinators and Human Resource Generalists.
- Developed a new two-day new IC/HRG orientation training that included both KEHP policy and procedures and KHRIS processing training.
- Completed a successful Open Enrollment for Plan Year 2013 while also supporting testing for KHRIS fixes and functional design improvement implementation.
- Provided one-on-one KHRIS coaching to over 200 Commonwealth Paid HRGs and Non-Commonwealth Paid ICs.
- Participated in both the fall and spring KASBO conferences to provide KEHP updates to school financial officers.
- Provided “subject matter experts” for Commonwealth Paid KHRIS training.
- Ensured the fiscal responsibility of KEHP through large substantiation recovery efforts.
- Supported Wellness activities through the LivingWell and HumanaVitality programs.
- LivingWell initiatives and accomplishments include:
 - As of the end of the second quarter of 2014 218,680 members had taken the HumanaVitality Health Assessment and 15,570 members had received their biometric screening.
 - Won the November 10, 2013 Louisville Sports Commission Marathon Corporate Team.
 - Sponsored 10 Kentucky Derby Marathon runners April 25, 2014.
 - Skin Cancer screenings at the First Onsite employee health clinics 2013 and 2014.
 - Free Flu Shot campaign. September 1 through November 30, 2013.
 - Flu shots are available at a variety of participating provider locations including: doctors' offices, health clinics, retail pharmacies, local health departments, and other medical providers in 2014.
 - February promotion of Wear Red Day.
 - April promotion of National Start Walking Day.

- March promotion of Colorectal Cancer Awareness Month and Dress in Blue Day.
- October Breast Cancer Awareness Month and promotion of “Wear Pink Day”.
- November Promotion of the ACS Great American Smokeout Day.
- The Humana Vitality tour event occurred September 16 – 18, 2013 and May 22 – 30, 2014 in Frankfort.
- Various health fairs at state agencies for employees.
- DPP referral process in place for KEHP members.

Department of Human Resources Administration (DHRA)

Department of Human Resources Administration:

Responsibilities

DHRA oversees the administration of the Commonwealth's employment application process; creation and issuance of employment registers; state payroll functions; maintenance of permanent employee personnel records; classification and compensation system for employees, records retention, and the statewide Performance Management Program. The department is also responsible for the design, development, implementation, and maintenance of strategic human resources projects including the Career Opportunities System (COS), the Kentucky Human Resource Information System (KHRIS), and the Personnel Cabinet's information technology (IT) services.

Division of Employee Management

The Division of Employee Management is responsible for executing the state payroll, processing personnel actions for Chapter 18A, Chapter 16, Department of Education Adult and Technical Education, and LRC, maintaining employees' official personnel file, overseeing and monitoring compliance of the Employee Performance Evaluation System, and managing the classification, and compensation system. The Division is also responsible for implementing layoff plans, monitoring and assisting agencies in complying with provision of the Fair Labor Standards Act (FLSA), and reviewing and implementing of reorganizations.

The Division of Employee Management consists of the following branches:

Personnel Administration Branch

The Personnel Administration Branch is responsible for maintaining the Commonwealth employees' official personnel files, processing agency personnel actions, assisting Human Resource Administrators, and providing documents and service records for state employees. The branch is also responsible for the Employee Performance Evaluation System.

Payroll Branch

The Payroll Branch is responsible for running the state payroll and working with the Department of Treasury and the Finance and Administration Cabinet to ensure all financial information is accurate including tax distribution to local jurisdictions, producing W-2's, and assisting agencies throughout the Commonwealth.

Classification and Compensation Branch

The Classification and Compensation Branch is responsible for assisting agencies in the creation or modification of job classifications, the state salary schedule, and the review and approval of agency reorganizations. This branch works closely with the Governor's Office for Policy and Management (GOPM) to assist with cap reporting and budget impact for legislative decisions.

Organizational Management Branch

The Organizational Management Branch is responsible for reviewing and supporting business processes related to classification and compensation and undertaking special projects as assigned. It is also responsible for oversight of the Enterprise Structure in KHRIS (Kentucky Human Resource Information System).

2013 – 2014 Highlights:

Successful preparation and dissemination of 49,259 Wage and Tax Statements (W-2).

Processed \$1,622,137,800 in payroll for an average of 42,209 employees.

Successfully implemented a mandatory electronic salary statement policy for all employees utilizing direct deposit, effective August 1, 2013.

Continued to require and monitor mandatory direct deposit and electronic salary statements for all new hires and rehires which DHRA successfully implemented on January 1, 2013.

Successfully executed a deferral of the June 30, 2013 pay to July 1, 2014, as mandated in the Budget of the Commonwealth.

Participated in 47 salary surveys from states within the National Compensation Association of State Governments as well as the AFT Survey and the Book of the States Survey from the Council on State Governments. Also participated in three annual surveys on salaries, pay practices, and benefits conducted by the National Compensation Association of State Governments.

Completed Performance Management audits on 3-10% of each cabinet's Employee Performance Evaluations for a total of 800.

Completed eight classification desk audits, half of them pursuant to Personnel Board orders.

Reviewed and processed 172 12:050's.

Abolished 24 classifications.

Revised 39 classifications.

Established nine classifications.

Reviewed and implemented 15 reorganizations.

Maintained statewide agency organizational charts.

Reviewed and executed multiple house and senate bills.

Reviewed and approved 24,885 personnel actions and 29,217 annual increments, primarily through mass upload.

Conducted an in-depth review of employee records to ensure proper increment dates were stored in KHRIS.

Maintained employees' official personnel files scanned 13,000 records were scanned into personnel files during fiscal 2014.

Changed the retention schedule for the Master Personnel Folder from 70 to 50 years after separation..

Completed 486 service verifications. These verifications require research using multiple resources, including the Kentucky Human Resources Information System, the legacy payroll system, and electronic employee records, and microfilm and microfiche.

Revised the procedures for service verifications to improve efficiency and service.

Created and distributed 10 issues of the KHRIS newsletter "Personnel Issues and You", recently renamed "KY-HR: Policy and Procedure Publication" to statewide agency HR staff

Developed and launched a stand-alone HR site, separate from our new Personnel Cabinet state employee and benefit team member website.

Created and distributed an agency HR customer service survey. Multiple improvements have already been implemented based on feedback received through the survey.

Provided training for all agency staff required to perform HR functions within the Kentucky Human Resource Information System (KHRIS). Counts of employees trained per course, for the reporting period, are:

- Human Resource Generalist- 43
- County Fees/Human Resource Generalist- 7
- Time Keeper- 140
- Time Administrator- 44
- Advanced Payroll- 20
- County Fees/Advanced Payroll- 21

Conducted "Performance Matters" training to 355 evaluators and interested employees.

Conducted "Position Description" training for 53 employees.

Division of Career Opportunities

This Division's responsibility is to operate a centralized applicant and employee certification program, 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, and coordinate outreach programs such as recruitment and administrative internship programs.

Merit Employment: The merit employment function of Kentucky State Government, including the recruitment, and placement of competitive (new) employees and the promotion of existing employees under KRS 18A.005-18A.200 and 101 KAR and all related statutes and regulations which relate 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, in addition to other statutes and regulations that relate to the employment of individuals in 427 different state job classes which require a license or certification to perform the duties assigned to the position.

The Division of Career Opportunities consists of the following organizational units:

- **The HR Certification Branch**
 - The HR Certification Branch provides support to both agencies and applicants in determining whether applicants meet minimum qualifications for the merit positions to which they have applied. HR Certification staff work with their agency counterparts to understand their recruitment and hiring needs. The HR Certification Branch processes agency personnel actions for reclassifications, transfers, voluntary and involuntary demotions, detail to special duty, and interim positions. Staff members also work closely with the Classification/Compensation Branch of DEM to ensure clear understanding in interpretation of class specifications.

- **The Applicant Services and Recruitment Branch**
 - The Applicant Services and Recruitment Branch provides direct customer support to applicants through the use of a dedicated help desk e-mail, phone support and one-on-one walk-in support in the DCO Applicant Computer lab. Applicant Services and Recruitment staff assist applicants with questions related to completing applications, searching and applying for jobs and general questions related to employment with the Commonwealth. In addition, they assist agencies in recruiting efforts by attending career fairs, managing the Co-op/Internship program, and assisting agencies with external recruitment advertisements. The Applicant Services and Recruitment branch is also responsible for outreach efforts with veterans to provide guidance regarding the employment process.

- **The Register Branch**
 - The Register Branch provides direct support to agencies through the management of requisitions and posting of vacancies to the Commonwealth of Kentucky's recruitment site, Career Opportunities System (COS), on the webpage. The Register Branch staff issues and manages all requisitions to agencies for merit positions as well as FFTL, GFTL, and Interim requisitions. In addition, the Register Branch provides end-user training and also works with DTS on technical system upgrades and enhancements, custom reporting and future design considerations.

- **Career Opportunities System (COS)**
 - The Career Opportunities System (COS) is the Commonwealth of Kentucky's Applicant Tracking System. The system, powered by Kenexa 2x BrassRing™ and implemented in 2007, provides a single online source for all merit position vacancies to be posted and for applicants to apply to vacant and Immediate Fill postings. The system allows applicants to apply anywhere in the world where they have an Internet connection which has greatly improved the accessibility for employment opportunities with the Commonwealth. There are currently over 226,000 unique applicant profiles in the system.

2013 – 2014 Highlights:

- Collaborated with the Kentucky Personnel Council, a group of state agency HR professionals, to identify ways to enhance understanding of veterans' preference in merit selection processes.
- Implemented over two dozen system changes to improve the online experience of COS applicants, agency customers, and internal system users.
- Moved four positions to the Applicant Services and Recruitment Branch to increase direct support to job applicants.
- Participated in the process to revise or establish class specifications with the Division of Employee Management, Classification and Compensation Branch.
- Staffed a two-day event to assist employees of the Office of Mine Safety and Licensing during the agency's reorganization.
- Completed job code edits for transition of KRS Chapter 151B job specifications to Chapter 156, and for inclusion of Prison Rape Elimination Act (PREA) language in Chapter 18A job specifications on behalf of the Justice and Public Safety Cabinet.
- Deleted over 300,000 legacy system register documents per records retention guidelines.
- Continued agency customer outreach with COS training and presentations, DCO liaison consultations and COS User Group meetings.
- Participated in Cabinet Innovation Champions teams with staff members serving on Recognition and Morale, Community Action and Green Teams. Staff also participated as members of the Safety Committee and *Step Out*, the Personnel Cabinet's Walking Club.

- Continued to participate in a Kenexa user group for phone conferences to share experiences, compare service from the vendor and champion future design considerations.
- All DCO staff renewed HIPAA training.
- Participated in recruiting events and career fairs to address specific recruiting needs of hiring agencies. Attended several events with staff from the Office of Diversity and Equality to support minority recruitment. Partnered with the Office of Employment and Training at events designed to assist veterans with their employment and training needs.

2014 Business Statistics	2014
Walk-Ins (Applicants Utilizing Computer Lab)	194
Previous Applications Copied/Provided from Legacy System	42
COS Helpdesk E-mails	2,733
Phone Calls Applicant Services	11,489
Total Number of Applicants in COS	226,096
New Applicants	31,326
Job Submissions	363,818
QA Reviews (Performed on selected candidates prior to appointment)	7,785
Applications Reviewed for Minimum Qualifications (MQR)	48,906
Applications Reviewed for Immediate Fill Registers	18,624
Rejections: 10 Day Postings (MQR)	3,198
Registers Certified: 10-Day Postings	5,417
Registers Certified: Immediate Fills	1,305
Merged Accounts Identified	231
Veterans Assisted	920
Veteran's Preference Assigned	1,365
Veterans Outreach Emails Sent	3,410
Veteran's Job Fairs Attended	5
Regular Job Fairs Attended	10

Division of Technology Services

The Division of Technology Services is responsible for the design, development, implementation, and ongoing support of Cabinet information technology (IT) and projects which impact internal and external human resource administration initiatives.

The Division consists of the following organizational units:

- **DTS - Director's Office**
- **The Access Control Branch**
- **The Application Development Branch**
- **The System Analysis Branch**
- **The Systems Integration Branch**

The Director's Office is responsible for input, direction and oversight of technology in the Cabinet and oversees the work and responsibilities of the branches within the Division to include HR responsibilities and staff development. The office is final approver of all technology changes introduced to the Cabinet. The office serves as chair of the Cabinet's Change Control Committee (CCC) where technology changes are recommended and reviewed to ensure standards, software integrity, integration points, long-term cost impact and strategic vision for IT in the Cabinet is factored in all technology. The office also directly oversees technical audits of the Cabinet and works closely with the Cabinet's internal audit office. In addition, the office manages the IT budget of the Cabinet, IT procurement and the administrative staff provides assistance to the office and all branches as needed.

The Access Control Branch is responsible for the design, implementation and support of application security in Personnel Cabinet systems as well as access control of users in those systems. The branch trains and oversees a network of Agency Security Contacts (ASCs) across the enterprise to ensure controls for access to the Cabinet's HR systems are in place.

The Application Development Branch is responsible for technical solutions to systems within the Cabinet. This includes KHRIS and all other systems interfacing with KHRIS such as COS, Pathlore, Image Connect (FileNet), and several systems across the Enterprise in partnership with other Agencies in the Commonwealth. The branch supports all other systems, applications, and databases for the Cabinet's business areas as well. In addition to application development, the branch is also home to the Business Warehouse/Business Objects Team with is a part of the total KHRIS landscape providing additional reporting options for the Cabinet's business areas.

The System Analysis Branch is responsible for the functional understanding, design and configuration for all modules in KHRIS and all HR systems and applications in the Cabinet which includes the Career Opportunities System (COS), Image Connect (FileNet), and Pathlore that all integrate with KHRIS. They work as analysts/liaisons between business owners and developers in the system design of the Cabinet's technology solutions. The branch is also home to the DTS Project Management Office (PMO) that manages and oversees all work of the Division such as every day base support as well as many special projects and systems changes approved through the CCC.

The Systems Integration Branch is responsible for several critical areas that support the division and the cabinet; TFS administration and support, Basis administration, integration, production support and the Business Warehouse/Business Objects (BW/BOBJ) Team. In 2013, the branch was instrumental in the design and launch of the Cabinet's new websites via SharePoint 2013. That project introduced the Systems Support Portal powered by Team Foundation Server (TFS). The Systems Integration Branch is responsible for the ongoing technical and administrative support for it. In 2014, the branch rolled out the Resource Management System (RMS) to monitor all requests of Cabinet employees for tracking and resolution of requests by several support teams which includes COT as part of the consolidation of some IT support to COT. In addition, the branch is also charged with integration management of the Cabinet's technology which includes change control for all DTS supported systems ensuring thorough testing and documentation of system changes before approving and introducing into production systems. The Basis Team is responsible for infrastructure/software administration and direct interaction with the hosting vendor, the Commonwealth Office for Technology (COT), for KHRIS and the Business Warehouse/Business Objects systems. The Production Support Team is responsible for monitoring, scheduling, and running production jobs which include some payroll tasks. The team also provides Redwood Scheduler administration and supports the SFTP server for the secure transfer of data between the Personnel Cabinet and its partners requesting data. The BW/BOBJ Team supports the reporting for the Cabinet via this reporting tool in concert with SAP standard and custom reporting in KHRIS. The team's current project is expanded use of BW/BOBJ to become the Cabinet's primary reporting tool. This includes additional data available in the application, training of business, and functional users and defining reporting requirements.

Accomplishments 07/01/13 – 06/30/14

- DTS supported the processing of 24 initial and final payroll runs, 71 off cycle payrolls and produced 49,662 W2s.
- 385 change requests created of which 250 were implemented into production or resolved.
- 12,089 TFS tickets we opened and worked for various issues and needs across the cabinet.
- All DTS staff renewed HIPAA training.
- DTS upgraded all major systems that support KHRIS; SAP base software upgraded to Enhancement Pack 6 and Support Pack Stack 10, Database software DB2 upgraded to version 10, AIX operating systems on application servers upgraded as well as the BSI tax software was upgraded.
- Successful Performance, Stress and Volume Testing (PSVT) of the KHRIS production landscape to ensure system capabilities for both post systems' upgrades and Open Enrollment for Plan Year 2014.

- Migration from Personnel hosted Business Objects to the Enterprise Business Intelligence (EBI) portal to support Finance and Administration Cabinet's EBI initiative.
- SharePoint/Team Foundation Server implementation of the Resource Management System (RMS) to support Personnel Cabinet employees.
- Expanded Business Warehouse to add Organizational Management, Personnel Administration and Payroll data for additional and more flexible reporting.
- Conversion of Legacy KY Employee Suggestion System to new, alternate low-cost solution.
- Consolidation of 40+ servers to COT's Central Data Center (CDC) and decommission of 56+ servers as part of the Executive Order 2012-880 to support Personnel Cabinet's I.3 Consolation.
- 417 transports moved to production during FY2014.
- Application Development Branch removed all plan hard-coding in Benefits Administration programs and replaced with configurable solution.
- RHBAUS00 Parallel Performance tuning for performance enhancements to KHRIS for this security program.
- Implementation of Vitality interface to support KEHP's new Living Well Promise Program.
- Time Entry Enhancements to prevent Timekeepers and Time Administrators from entering their own time or making their own quota balance changes.
- COBRA enhancements to automate COBRA processing for qualifying events – this was previously manually processed by the IC's. The outcome is more efficient and helps ensure compliance.
- OE2014 – first mandatory active enrollment in KHRIS, with 90% of users utilizing the newly redesigned ESS solution to complete their enrollment elections.
- The Cabinet took on the total responsibility of support calls for Open Enrollment 2014 with DTS staff contributing by answering and responding to the following calls; password resets: 12,492, technical support: 3,568 and technical escalation: 564.
- Designed, developed and implemented a new SSCRb interface and a corresponding file to InfoAdvantage for their reporting use.
- Began the ESS Time Entry Design project for piloting in the Personnel Cabinet and other agencies.
- Implementation to KHRIS of the new Legislative and Judicial Retirement Plans.
- Addition of Hourly Rate/Salary Info on the pay statement.
- Implemented an improved look and feel for the Employee Self Service application, which included technical enhancements to provide improved tablet compatibility and ADA compliance.
- Provided new system functionality to recoup funds for AWL not made up.
- Provided project management and/or guidance in special projects; AOC implementation, FHWA's KYTC audit, and ACA Reporting.
- Kicked off KHRIS security redesign project with engagement and support from functional, business, leadership, and APA.

- Processed 2,225 Access Request tickets in TFS for access to the Personnel Cabinet's systems.

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 as within the past several fiscal years continued to maintain their high ranking among the other Government Deferred Compensation plans. The most recent survey data available from the National Association of Government Defined Contribution Administrators (NAGDCA) for Internal Revenue Code Section 457 and 401(k) Plans indicates, the Authority continues to rank 21st in the nation in terms of both 457 Plan assets and in terms of the number of participants and 9th with respect to the 401(k) Plan. According to the latest NAGDCA demographic survey, Kentucky continues to rank ahead of several more populous states.

To further emphasize the magnitude of the Kentucky program's size and level of acceptance by eligible employees, in the February 3, 2014 issue of *Pension and Investments* magazine a survey of the top 1,000 pension plans (including defined benefit as well as defined contribution – both public and private) of which there are over 50,000 plans the Kentucky Deferred Compensation program ranked 615th in the nation in terms of total assets with \$2.131 billion.

During fiscal year 2013-2014, the Authority Board of Trustees (Board):

- 1) Considered the need to take an action regarding participant asset fees and determined no changes should be made. However, the Board indicated a more comprehensive review of fees may become necessary in the event the Authority's reserve account continues to experience strong growth. Based on the Board's latest decision and prior year's fee reduction actions, the Board has now reduced participant asset fees in nine of the previous 18 years, resulting in 'recurring' annual asset fee savings to participants of approximately \$4.5 million. The total accumulated annual participant asset fee savings has now reached approximately \$51 million.
- 2) Has, after the expenditure of significant effort, obtained approval from the Personnel Cabinet and the Budget and Governor's offices to move forward with implementation of a modified version of the strategic planning recommendations made by Mercer Consulting Services, the strategic planning consultant, engaged by the Board for this

purpose. New positions approved, with one exception, have been filled. Full implementation of the reorganization should be accomplished during the 4th quarter of calendar year 2014. Upon implementation, this reorganization is expected to bring the Authority's administrative processes into conformity with the best practices of other state deferred compensation programs of similar size and complexity. It will also add efficiencies which will improve upon the service provided to Authority participants.

- 3) Authorized the restructuring of the Authority's *Spectrum of Investment Options* as proposed by Mercer Consulting Services. The restructured Spectrum places an emphasis on the use of a core investment strategy. In applying a core investment strategy, mutual funds are selected which have adopted both a growth and value objective in a single fund. This, thereby, is expected to simplify the investment decision for participants who no longer have to be concerned about a selection between growth and value oriented funds. Further, the Board elected to eliminate several underperforming funds and moved several other funds to the Specialty Tiers which better defines their position within the Spectrum.

In addition, the Authority has for a 2nd consecutive year experienced an increase in participation in the plans. Further, it is important to point out participation has, for the 1st time, surpassed 76,000 as of June 30, 2014. We are also pleased to announce assets at June 30, 2014 once again increased. Assets grew from \$2.2 billion to nearly \$2.5 billion and were approximately \$322 million greater than the amount reported at the end of fiscal year 2013, reflective of continued improvement in market conditions throughout the 2014 fiscal year.

The following graphs, charts and tables represent the combined results from the Authority's 457 and 401(k) supplemental retirement plans through June 30, 2014:

- *Participant Volume* – Bar Graph one and accompanying table, as indicated above reflects a trend of continued growth in the number of participants in the Authority program. The number of plan participants (with account balances) increased from 75,170 as of June 30, 2013 to a record 76,488 at June 30, 2014. This represents an increase of 1,318 participants or a 1.75% increase as of the 2014 fiscal year end. The primary reasons for this occurrence were that during fiscal year 2014 the Authority extended its vigorous enrollment campaign as well as an aggressive asset retention initiative during continued improvement in the financial markets.
- *Plan Assets* – Bar Graph two and accompanying table shows 2013 plan assets, on a calendar year basis, were greater than for 2012 (2013 - \$2.414 billion vs. 2012 - \$2.058 billion). Assets, on a fiscal year basis, have also increased significantly from \$ 2.187 billion as of June 30, 2013 to \$2.470 billion on June 30, 2014, representing a \$322 million or approximately a 14.72% increase. Assets in both the 401(k) and 457 Plans advanced significantly from the 2013 fiscal year. Assets in the 401(k) Plan increased from \$1.364 billion at June 30, 2013 to \$1.612 billion at June 30, 2014. Similarly, the 457 Plan assets increased from \$779.13 million at June 30, 2013 to \$897.37 million at June 30, 2014.
- *Plan Trends* – Several other important trends continued or reversed direction during fiscal year 2013-2014 within the deferred compensation program.

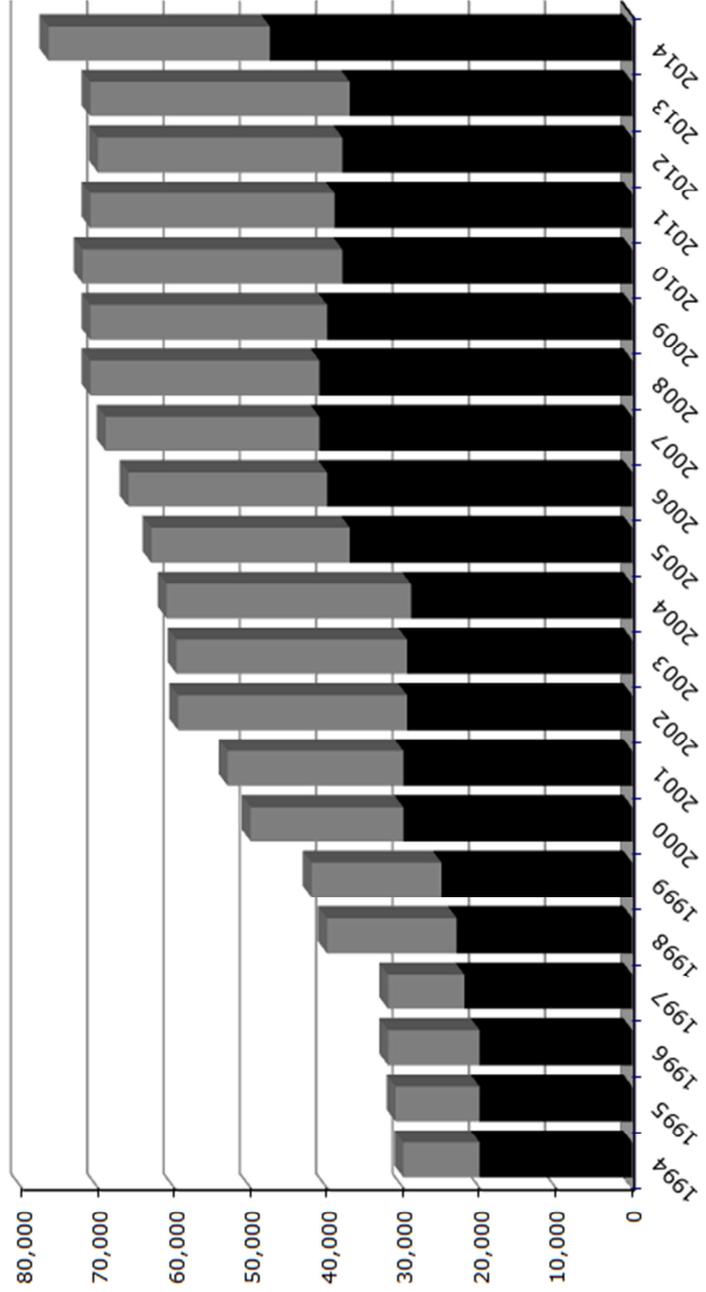
- 4) *Investments* – Graph three indicates for only the 6th time in the past 18 years, FY 2014 ‘quarter-after-quarter’ participant investments have decreased. An important factor in the continuation of this negative trend is the fact many participants have not experienced a salary increase for a number of years. However, deferrals were greater for the 4th quarter of FY 2014 when compared to 2013. Fourth quarter participant investments increased significantly from \$29.86 million as of June 30, 2013 to \$33.96 million as of June 30, 2014. This represents an increase of \$4.1 million or approximately 1.4%. Hopefully, this positive sign will bode well for FY 2015. While deferrals decreased quarter-over-quarter in FY 2014, total deferrals were greater than for FY 2013.

Plan Assets Allocation– Graph four and accompanying table demonstrate that for an 18th consecutive year, participants invested more into mutual funds than into the Fixed Contract Fund (FCF). This is also the 18th consecutive year in which investments into the mutual funds were greater than into the FCF in ‘each’ quarter of the year. Graph five indicates the allocation of assets is now \$1.642 billion (65.41%) in the stock mutual funds, \$134.8 million (5.38%) in the bond mutual funds/money market fund and \$694 million (27.66%) in the FCF. The remaining 1.55% or \$39.0 million represents insurance company benefit accounts and outstanding participant loans.

- *Investments* – Graph six indicates annual deferral investments increase as of June 30, 2014, for a second 2nd consecutive year. Annual deferral investments totaled \$148.91 million as of June 30, 2014 compared to \$134.93 million at June 30, 2013, representing a \$13.98 million or 10.4% increase. The percentage of the annual deferral investments into the 401(k) Plan (excluding IRA contributions) versus the 457 Plan decreased by 2.43% to 59.47%. For the fiscal year ended June 30, 2014, annual deferrals into the 401(k) Plan exceeded those invested in the 457 Plan by \$34.45 million. This year participant annual deferrals into the IRAs equated to approximately \$6.3 million an increase of \$1.5 million from the prior fiscal year. These numbers are exclusive of rollovers into the program which are not considered as annual deferrals but continue to represent a sizeable percentage of the Authority’s IRA assets which continues to grow at a fairly rapid pace.

As of June 2014, the Authority offered participants 36 investment options from which to select. The investment spectrum ranges from target date – to – passively managed index – to – actively managed – to specialty funds. This spectrum of investments consists of 23 mutual funds, 11 target date lifecycle funds, one money market fund and one stable value or fixed fund product.

Total Participants by Year (With Account Balances) As of June 30, 2014



Total Participants by Year
 (With Account Balances)
 6/30/1999 - 6/30/2014

Year	Participants
6/30/1999	46,187
6/30/2000	51,099
6/30/2001	55,749
6/30/2002	58,756
6/30/2003	59,773
6/30/2004	62,437
6/30/2005	64,689
6/30/2006	67,490
6/30/2007	70,247
6/30/2008	73,884
6/30/2009	74,417
6/30/2010	75,675
6/30/2011	74,443
6/30/2012	74,211
6/30/2013	75,170
6/30/2014	76,488



Asset Growth by Year

(Excluding Life Insurance and Uninvested Receipts)

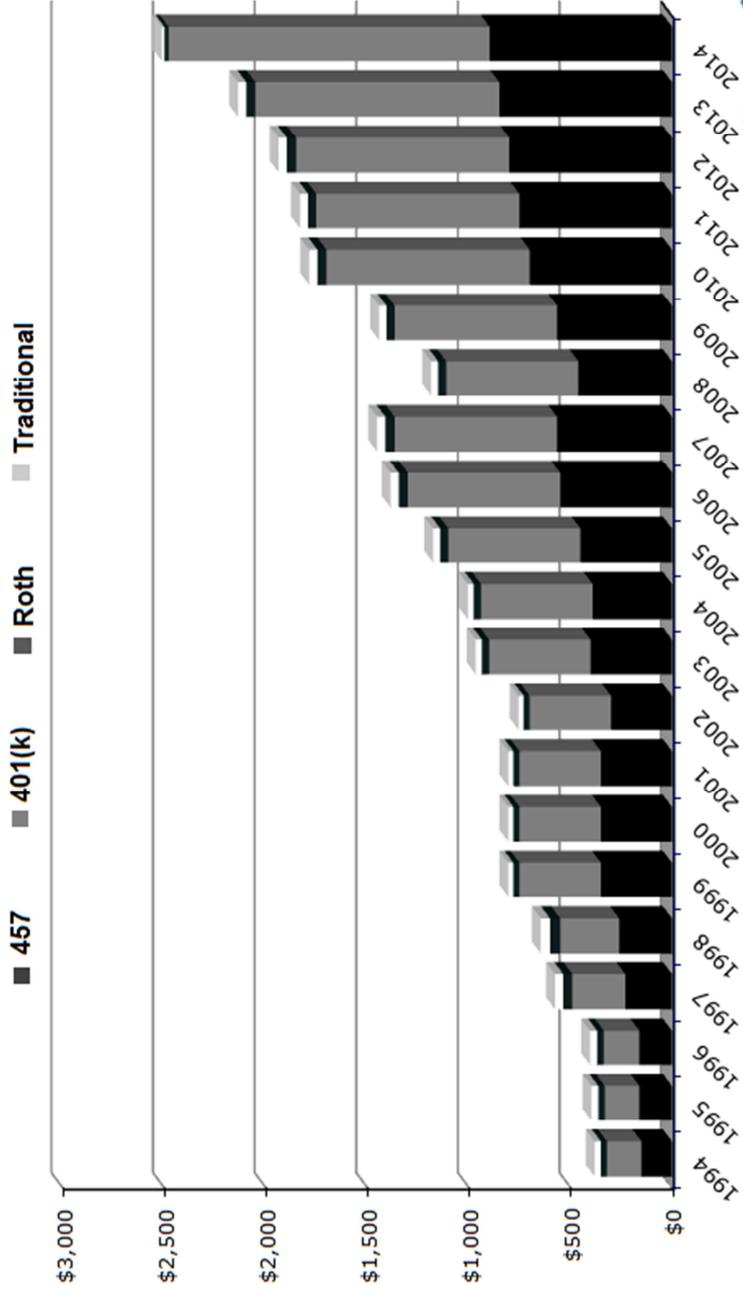
Participant Accounts

Traditional	537
Roth	3,614
401(k)	53,361
457	34,330

Plan Year Increase 2.64%

Assets (\$ millions)

Traditional	\$12.24
Roth	\$19.63
401(k)	\$1,580.23
457	\$897.37



Nationwide
is on your side



Asset Growth by Year

(Excluding Life Insurance and Uninvested Receipts)

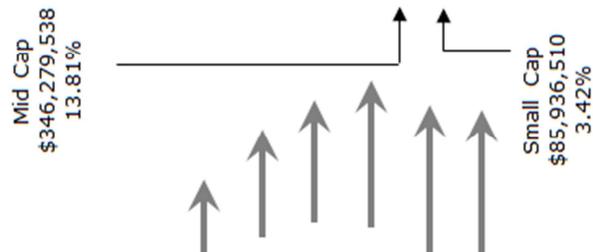
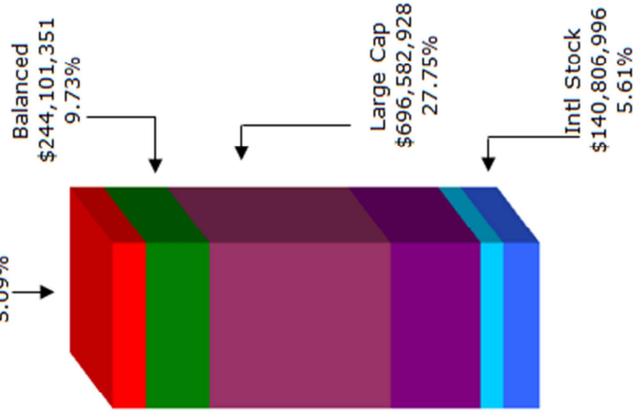
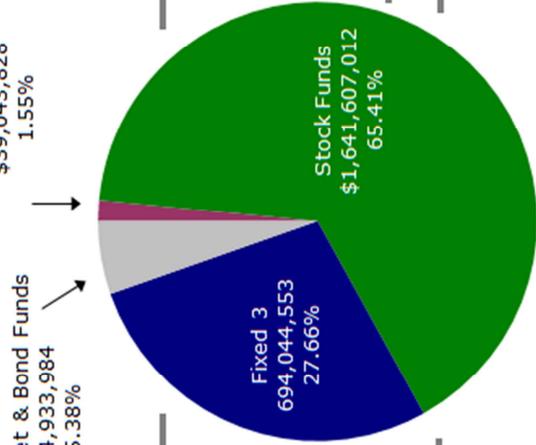
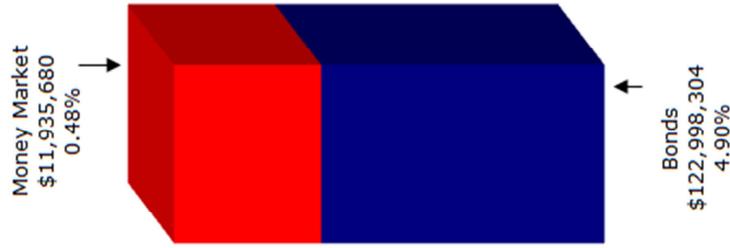
Year	Assets
12/31/2000	\$899,064,718
12/31/2001	\$892,252,657
12/31/2002	\$827,735,663
12/31/2003	\$1,002,971,334
12/31/2004	\$1,118,341,380
12/31/2005	\$1,248,596,528
12/31/2006	\$1,420,204,161
12/31/2007	\$1,591,275,093
12/31/2008	\$1,306,613,331
12/31/2009	\$1,605,287,634
12/31/2010	\$1,819,314,700
12/31/2011	\$1,855,891,203
12/31/2012	\$2,057,942,991
12/31/2013	\$2,414,047,743
6/30/2014	\$2,509,480,481



Allocation of Plan Assets (Excluding Life Insurance)

As of June 30, 2014

Fixed Contract & Loans	29.21%
Money Market and Bond Funds	5.38%
Stock Funds	65.41%



Stock Funds

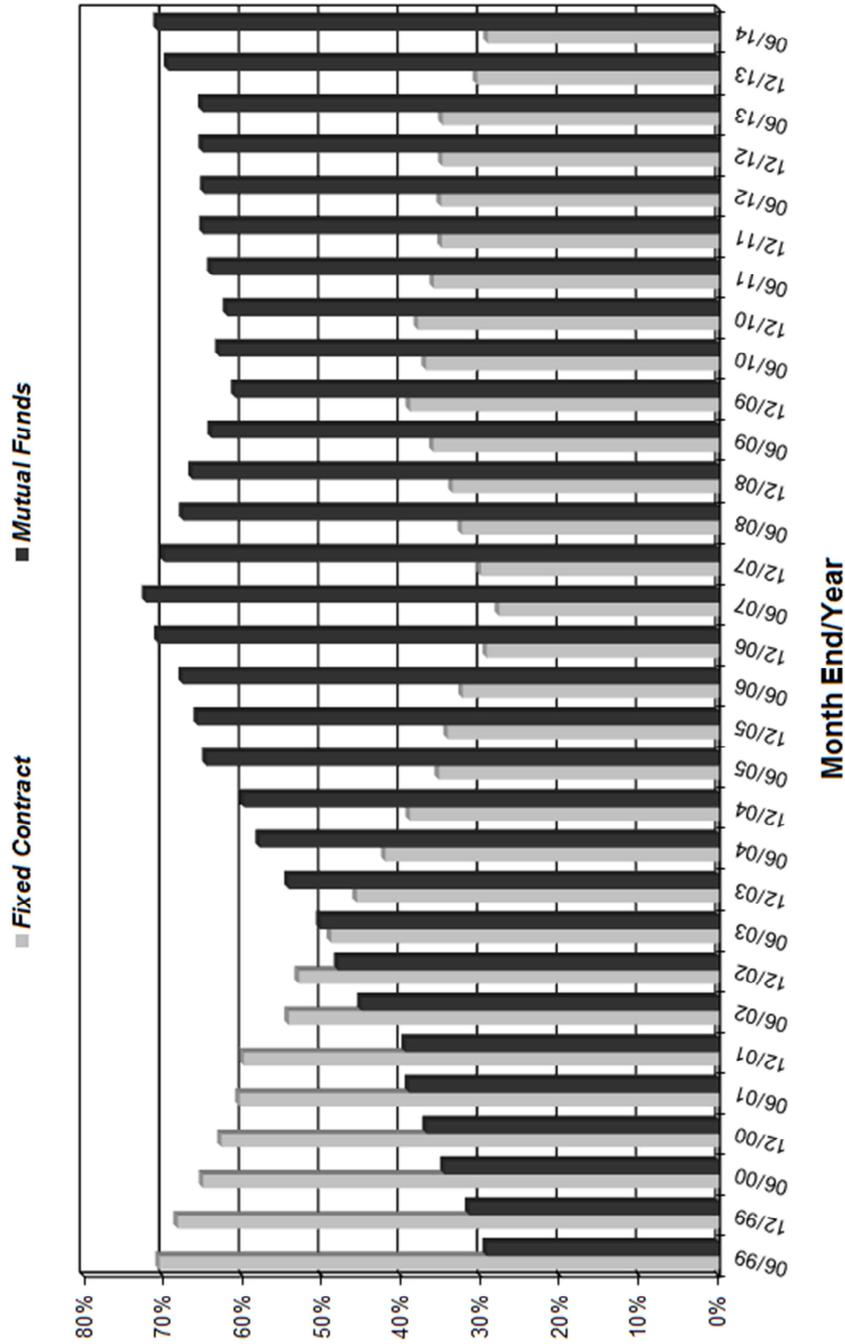
Total Funds

Money Market & Bond Funds



Percentage Allocation of Assets

(Excluding Life Insurance and Uninvested Receipts)



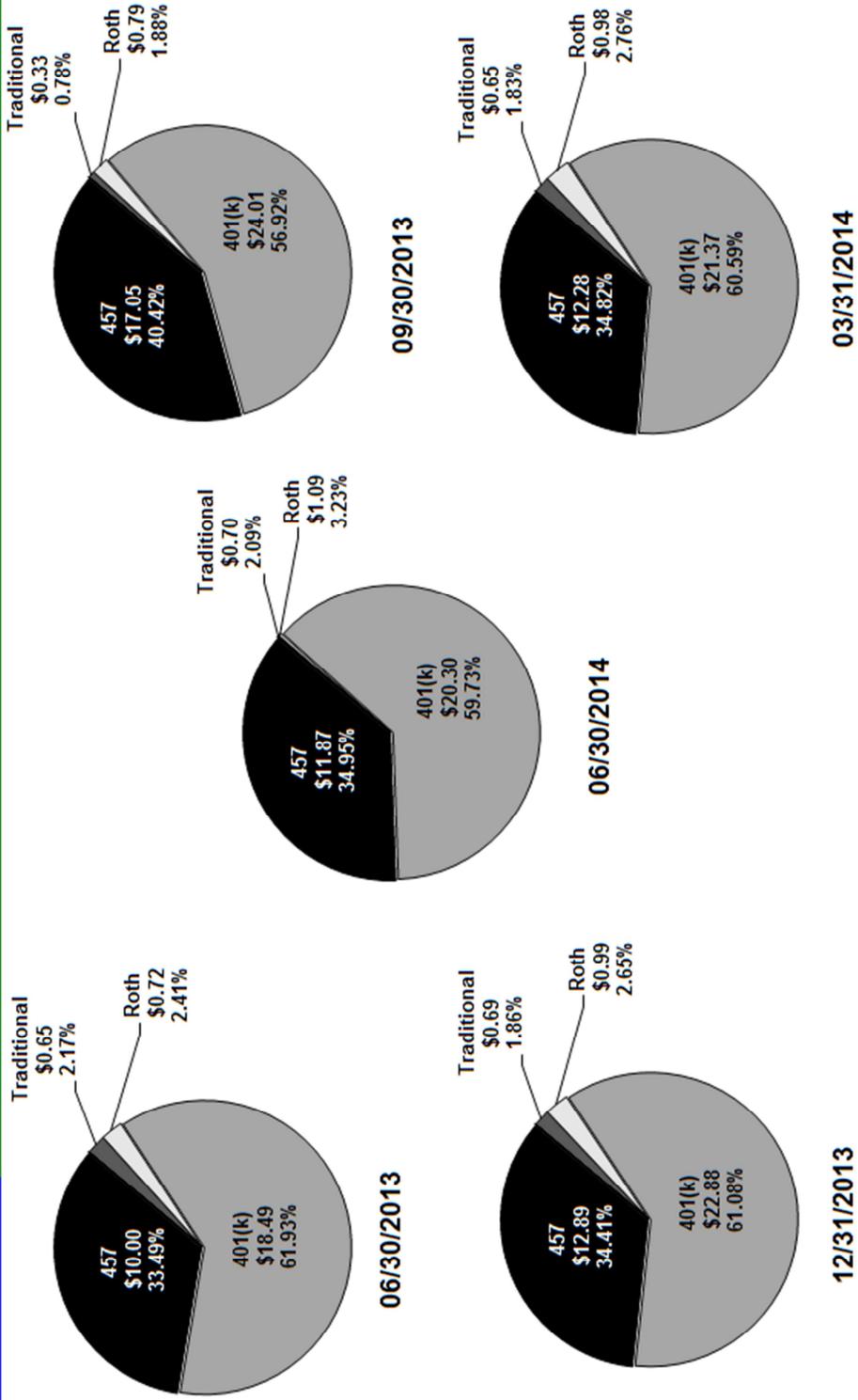
Assets - Fixed and Variable

Second Quarter 2007 to Second Quarter 2014

Year	Fixed	Variable
06/07	\$478,003,505	\$1,056,393,856
12/07	\$491,385,778	\$1,099,889,315
06/08	\$523,844,082	\$1,029,854,002
12/08	\$564,180,361	\$742,432,970
06/09	\$589,515,421	\$811,419,200
12/09	\$611,979,421	\$993,121,416
06/10	\$632,901,611	\$966,957,318
12/10	\$655,000,766	\$1,164,313,936
06/11	\$673,926,559	\$1,226,971,617
12/11	\$669,627,828	\$1,152,761,861
06/12	\$713,233,411	\$1,248,095,059
12/12	\$735,289,619	\$1,322,653,372
06/13	\$737,038,027	\$1,449,838,764
12/13	\$737,547,975	\$1,676,499,768
06/14	\$733,088,381	\$1,776,392,100

Deferral Investments By Quarter

(Excluding Life Insurance and Uninvested Receipts)



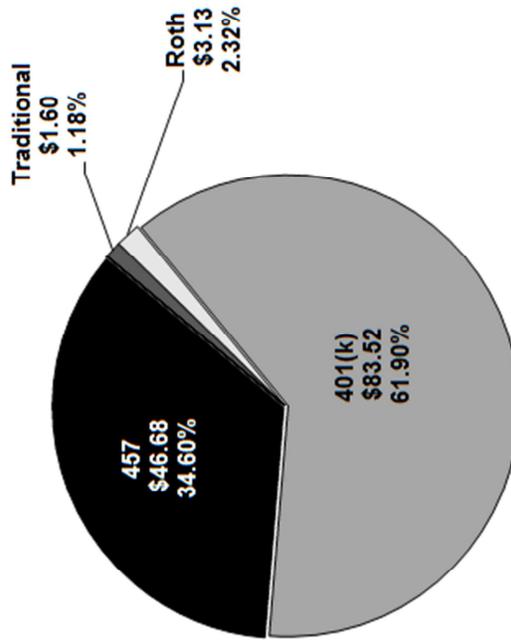
In Millions \$



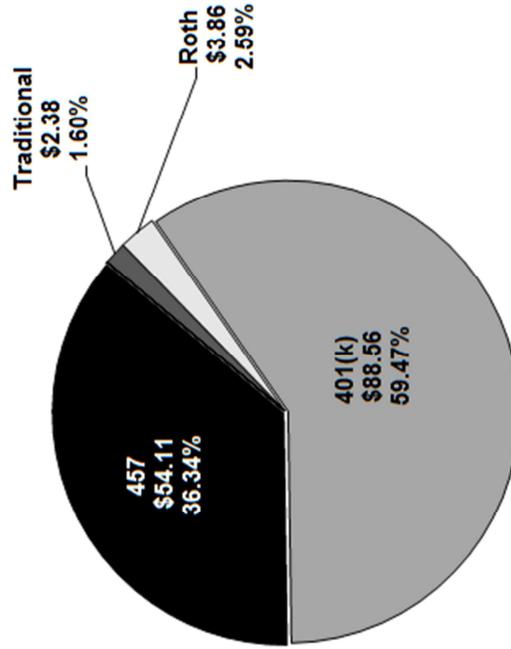
Annual Deferral Investments

(Excluding Life Insurance)

Year Ending
June 30, 2013



Year Ending
June 30, 2014



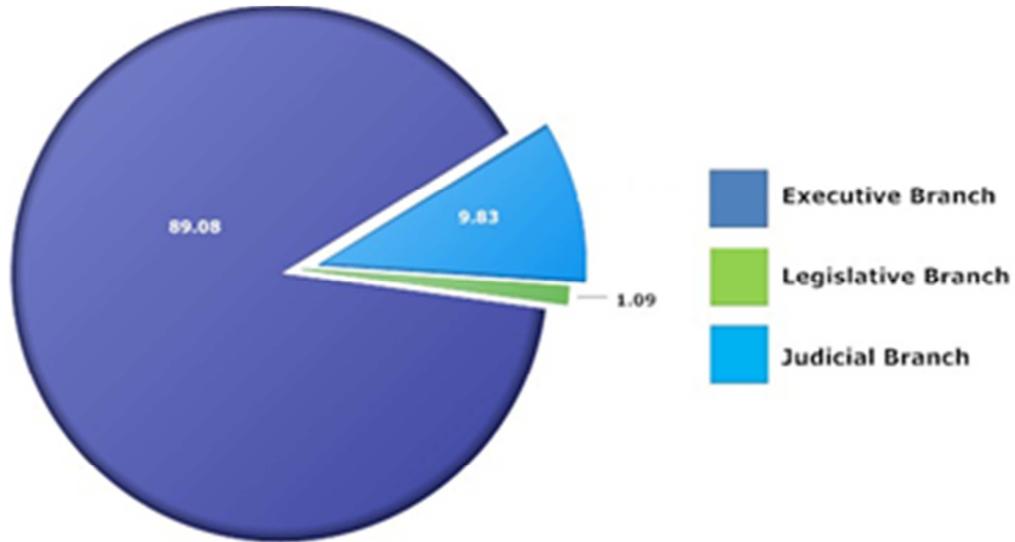
In Millions \$



STATE GOVERNMENT EMPLOYEE COUNT

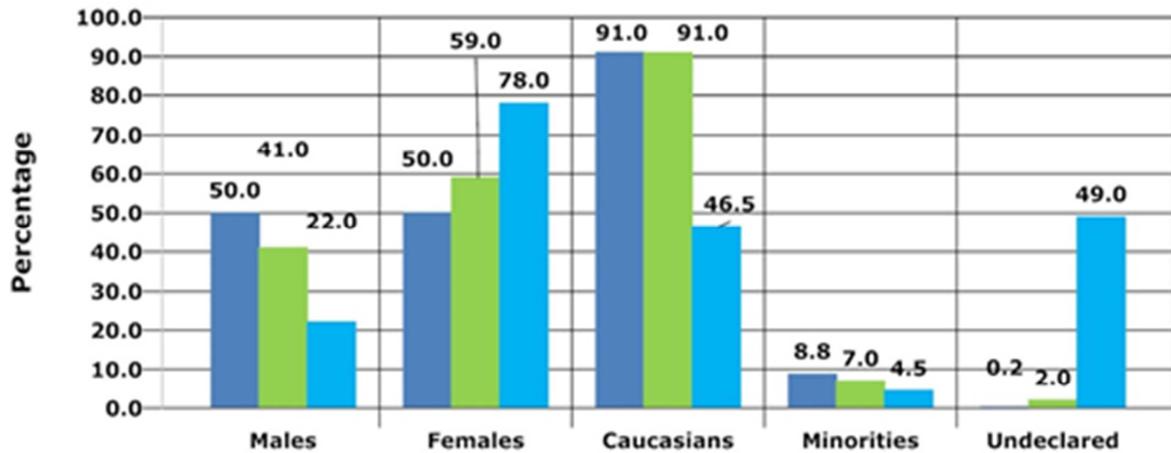
(Excludes interims, as of JUNE 30, 2014)

EXECUTIVE BRANCH.....	32,025
LEGISLATIVE BRANCH.....	392
JUDICIAL BRANCH.....	3,533



Employee Status by Race and Sex

(as of June 30, 2014)



EMPLOYEE COMPENSATION

Executive Branch

(Excludes interims, as of JUNE 30, 2014)

Average Gross Annual Salary **\$39,488.58**

Average Employer Paid Annual Benefits

Retirement	\$11,037.44	
FICA	\$2,637.56	
Health Insurance	\$7,082.78	
Life Insurance	\$ 15.33	
TOTAL Benefits		<u>\$20,773.11</u>

Average Annual Employee Compensation **\$60,261.69**



Kentucky Personnel Cabinet

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