

ANNUAL REPORT

1983 - 1984



DEPARTMENT OF PERSONNEL
FRANKFORT,
KENTUCKY

THOMAS C. GREENWELL
COMMISSIONER



COMMONWEALTH OF KENTUCKY
DEPARTMENT OF PERSONNEL
CAPITOL ANNEX
FRANKFORT, KENTUCKY 40601

THOMAS C. GREENWELL
COMMISSIONER

MARTHA LAYNE COLLINS
GOVERNOR

October 1, 1984

Honorable Martha Layne Collins
Governor of Kentucky

Honorable Philip Taliferro
Chairman, Kentucky Personnel Board

In accordance with KRS 18A.030(12) I am submitting this Annual Report of the Department of Personnel for fiscal year 1983-1984.

Sincerely,

A handwritten signature in cursive script that reads "Thomas C. Greenwell".

Thomas C. Greenwell, Commissioner
Department of Personnel

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DEPARTMENT OF PERSONNEL HIGHLIGHTS

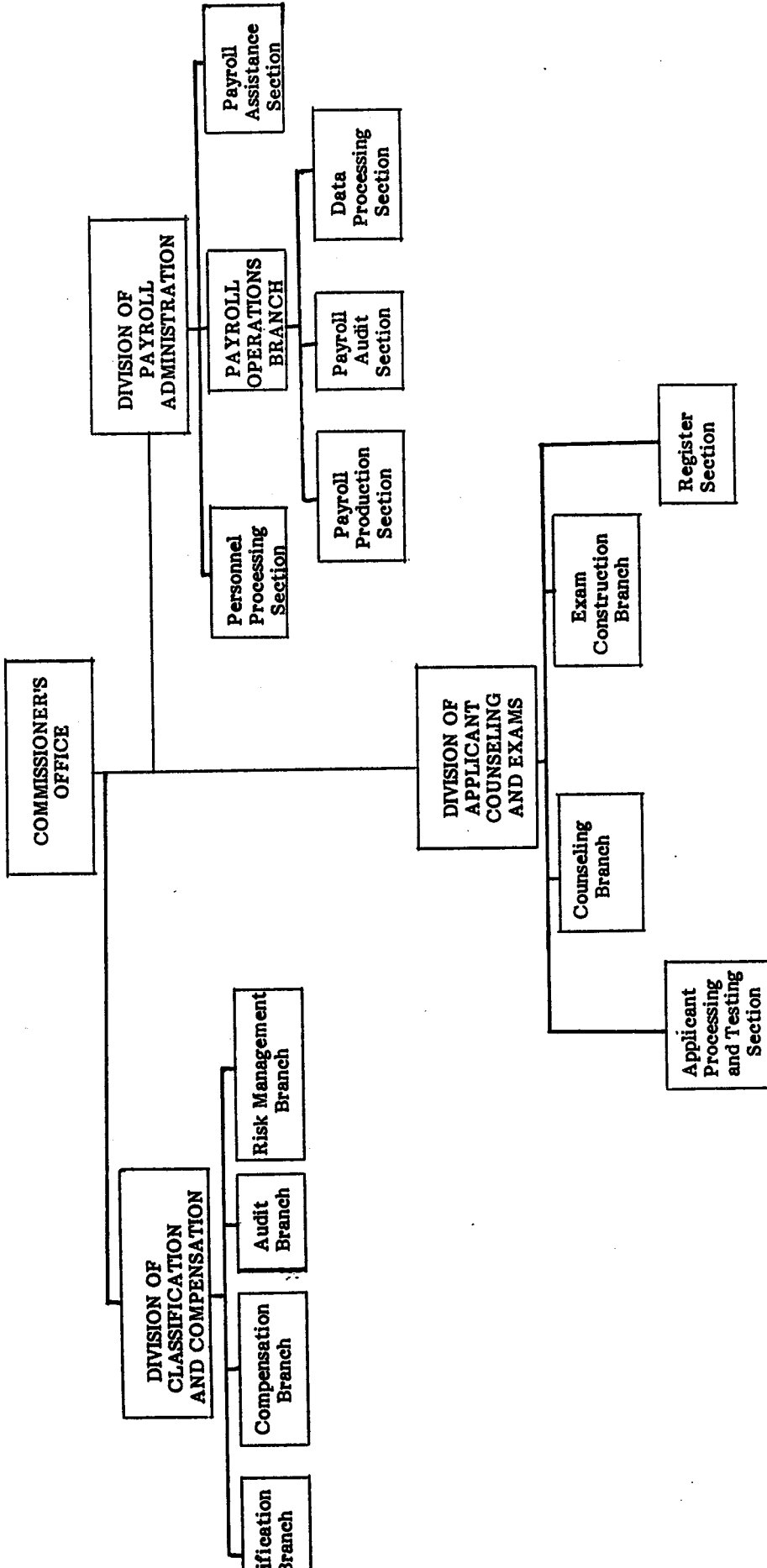
1983-1984

- Implementation of the Governor's freeze on hiring as an efficiency and budget-containing measure;
- Suspension of WPPR following widespread employee objections to the system and authorization to suspend it by the Personnel Board and executive order of the Governor;
- Appointment of an employee review committee for evaluations and suggestions on proposed personnel administrative regulations;
- Publication and distribution of the Employee Information Handbook;
- Surveys of other employers and state employees regarding state government's benefits package;
- Communication of information to employees via periodic Employee Information Bulletins, quarterly Health Benefits Bulletins, and special group presentations;
- Sponsorship of an employee "Fun/Run Walk" for increased health and fitness awareness;
- Publication and distribution of revised and updated personnel administrative regulations;
- Preparation of a new Affirmative Action plan which has earned the praise of the NAACP for its measurably progressive steps;
- Development of a simplified time and attendance form that saves 50% of the work required by the old form;
- Expansion of the Video 370 procedures to one-third of state agencies, eliminating manually generated personnel actions and mailing processes;
- Sharing of electronic files on employee and position information, enabling agencies to produce their own management reports without time-consuming "middle-man" steps;
- Completion of electronic personnel action filing system, giving instant Personnel Action updating of files and instant retrieval of information on cathode ray tube (CRT);
- Completion of electronic personnel action processing system, resulting in 100% increase in work performed by a 50% decrease in staff—with greater accuracy than before and enormous savings in time to state agencies;

- Administration of the Deferred Compensation System formerly administered by private contract, with better incoming data analysis and improved bookkeeping methods. This change has resulted in considerable savings to the state and has made the Deferred Compensation System more responsive to employee needs.
- Institution of cost-saving measures in administration of Workers' Compensation (i.e., streamlined claims processing and record keeping; developed new method of billing and premium collecting that cut red tape; and reduced cost by \$12,000 by competitively bidding excess risk insurance);
- Bidding of the state's Health Insurance Contract for cost containment;
- Agreement with Department for Employment Services which facilitates that department's information reporting to the federal government and saves money in testing merit system job applicants in Jefferson County;
- Commendable stewardship of budgetary allocations as reported in the report of the State Auditor of Public Accounts;
- Revision of the unclassified service salary schedule, raising the maximum range for professional employees in pay grades 17-20;
- Completion of the position audits necessitated by the June 16, 1982, reallocation of state positions.

These accomplishments were performed by a reduced staff during a time of budgetary crisis and employee anxiety occasioned by four prior years of personnel reform and in the midst of a change of state administration—a testimonial to the dedication and professionalism of state employees at every level.

DEPARTMENT OF PERSONNEL



DEPARTMENT STRUCTURE

The Division of Applicant Counseling and Examinations is responsible for the recruitment and examination of merit system job applicants and for the certification of appointments and promotions of state employees. The state Office of Equal Employment Opportunity, with responsibility for the governor's Affirmative Action plan and for grievance counseling in allegations of discrimination is also administratively attached to this division.

The Division of Classification and Compensation is responsible for preparation and maintenance of the job classification and compensation plans for state employees. This work includes review of all personnel position actions, job audits, revision of class specifications, and salary surveys and analysis. Risk Management, with its responsibility for health, life, and Workers' Compensation Insurance and the Employee Suggestion System is administratively attached to this division.

The Division of Payroll Administration is responsible for the audit and certification of all state payrolls; the preparation and maintenance of all employee records; the preparation of employee information reports; and administration of the state Deferred Compensation System.

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

ACTIVITIES AND PROGRAMS

Suspension of WPPR

At its January 13, 1984, meeting the Personnel Board, acting on the recommendations of the Department of Personnel and the Kentucky Coalition of State Employee Organizations, approved emergency administrative regulations suspending the pay-for-performance program (Work Planning and Performance Review, or "WPPR") instituted during the previous administration.

Noting wide-spread dissatisfaction with the program among employees and supervisors, while expressing continued support of the concept of pay-for-performance, the Board voted to recommend to the Governor a suspension of WPPR.

Emergency regulations suspending WPPR were filed with the Legislative Research Commission and on January 20 Governor Martha Layne Collins signed Executive Order 84-99 putting those regulations into effect.

In a letter to Commissioner of Personnel Thomas C. Greenwell, Governor Collins expressed her continued belief in some form of performance pay and ordered the Department of Personnel to conduct further research into performance pay systems that would overcome the difficiencies found objectionable in WPPR.

Freeze on Hiring

Responding to the possibility that the 1984 General Assembly might pass a state government budget without tax increases despite critical revenue shortfalls, Governor Collins on February 22, 1984, called for a freeze on hiring in state government.

Due to the subsequent enactment of such legislation and continued revenue shortfalls, the hiring freeze continued in effect throughout the remainder of the fiscal year and remains in effect at the time of this writing.

Reduction in Annual Increment

During the 1984 General Assembly, revenue shortfalls forced a critical eye upon state employees' automatic annual five percent salary increments. After numerous attempts to

pass a state budget had failed, a compromise budget bill was approved in both House and Senate chambers that cut state employees' annual increments to two and three percent respectively for the biennium.

Class Reallocation Audits

Following the June 16, 1982, reallocation of state positions and their reassignment to a new pay schedule some 7,100 employees appealed to the Department of Personnel and/or the Personnel Board for reconsideration.

In the summer of 1982 a 50 member task force was recruited from agencies who agreed to lend the services of selected employees to the Department of Personnel in order to perform job audits aimed at ascertaining whether the complainants were classified correctly. From this task force evolved a full-time Audit Branch within the Division of Classification and Compensation.

In February 1983 the Audit Branch completed its reallocation audits and undertook a classification system "maintenance" role, projecting a systematic review of all state classifications on a four-year cycle. By January 1984 budgetary considerations had made that plan unfeasible and the audit function was absorbed into the work of classification and compensation analysts. Audit Branch staff were assigned to a variety of special projects or were reassigned to other departmental units.

Today, classification auditing remains a function carried out in the Classification and Compensation division by cross-trained staff well-equipped to respond to the special needs of agencies for job auditing.

Unclassified Salary Schedule Revision

In December 1983 a revised pay schedule for the unclassified service was approved. This revision in the maximums for grades 17, 18, 19 and 20 was possible because of the statutory provision raising the governor's salary to \$60,000 per annum. This change enabled the Commonwealth to recruit and retain highly skilled administrators. The statutes require that no state employee shall be paid a higher salary than is paid the governor.

Administrative Regulations Review Committee

In order to assure employee participation in proposed administrative regulations affecting personnel management, the Department of Personnel and the Personnel Board appointed a committee of five employees and personnel administrators drawn from other agencies to evaluate recommended changes and additions to the personnel Administrative Regulations.

The Regulations Review Committee submitted its first proposals to the June 1983 Personnel Board meeting. Additional changes in proposed regulations were adopted by the Board at its July public hearing. In August the Board voted to approve the proposed regulations and to submit them to the Legislative Research Commission for approval and final action of the legislative sub-committee.

Believing that their review was a positive contribution to the process of generating administrative regulations, Personnel Board chairman Philip Taliaferro requested the committee members to continue serving on the committee.

Establishment of the Regulations Review Committee marked the beginning of formal involvement of employees in the process of drafting amendments and revisions to the personnel administrative regulations.

Employee Suggestion System

Shortly after Governor Martha Layne Collins took office, the Kentucky Employee Suggestion System received the support of the Collins Administration. With this endorsement and the support of all state Cabinet Secretaries, this program has continued to be one of the best cost-saving ideas in state government since its inception in 1981.

The Employee Suggestion System provides a means for state employees to make suggestions for improvement in all areas of state government such as efficiency, effectiveness, economy, safety, conservation of energy resources, and improvement of public relations in Kentucky State Government.

Since 1981, over 80 employees have received awards in excess of \$41,000. The savings to the state total more than \$600,000. In fiscal 1983-1984, 39 awards were given worth \$22,715.31 in cash to the employees and almost \$400,000 in savings to the state. Since the

savings are estimated on the first year of implementation, the total amount of savings, when considered over a longer period of time, would be far above this figure.

Kentucky's Employee Suggestion System has motivated employees to continue making state government a more efficient and cost effective operation for Kentucky taxpayers.

Employee Handbook

In July 1983 the Department of Personnel issued a comprehensive Employee Information Handbook containing information about the Kentucky Merit System, conditions of employment, and in-depth details relating to the state government employee benefits package. A limited printing due to budgetary cutbacks prevented a general distribution of the handbook, although a copy was placed with each work unit supervisor to make available to unit employees.

In the Spring of 1984 Department of Personnel management, responding to the wishes of agency personnel administrators and employees, undertook a revision of the handbook in a more contemporary and easier-to-read format. With a letter of endorsement by Governor Martha Layne Collins the new handbook was mass produced for general distribution to all employees in September 1984.

Personnel Laws and Rules

Despite a myriad of personnel-related bills introduced before the 1984 General Assembly, little new legislation was passed that would necessitate changes to Kentucky Revised Statutes (KRS) chapter 18, the personnel chapter. With an adequate inventory of the 1982 printing of chapter 18 on hand, the Department of Personnel was able to avoid the expense of reprinting the statutes portion of its informational book, Personnel Laws and Rules.

During the fiscal year there were, however, numerous amendments to the Kentucky Administrative Regulations (KAR's). In order to eliminate the confusion among agency users who had during the past year received numerous personnel memoranda with attached proposed regulations, emergency regulations, and amended regulations with final approval

and effective date, the Department of Personnel issued a complete and current printing of the regulations affecting personnel. Although some regulations that were printed while still under emergency status were later made final and lost their "E" (emergency) codification, no changes were made in their language and provisions, so a reprinting was not required. Users were simply informed that they should strike the "E" from the printed codification.

When 101 KAR 1:010 was amended to add a subsection (6), that regulation was reprinted and furnished as a page replacement to agency subscribers.

A generous supply of the 1984 printing of the Administrative Regulations were provided free of charge to agencies.

Report of the State Auditor of Public Accounts

The report of the audit of the Central Level Payroll System for the period July 1, 1982, through June 30, 1983, was completed in August 1984. This Uniform Personnel Payroll System (UPPS) is administered by the Division of Payroll Administration within the Department of Personnel.

Nine recommendations for internal controls and related compliance matters appeared in that report. As noted in that report under Agency Responses, the recommendations had been implemented in some appropriate way by the time of the report's final form with but two exceptions. One recommendation will necessitate a change in administrative regulation — an action the Department of Personnel agreed to propose in order to eliminate a technical lag between leave accrual dates and leave use eligibility. The other recommendation (i.e., that "segregation of duties in the State Personnel Processing Section should be implemented") was not viewed as essential because the Department of Personnel is performing only a data entry role for agencies and believes its current procedures accomplish the same ends as those underlying the auditor's recommendation.

Payroll Processing System

Two major goals in this area have been in system process development and deployment of some of these processes to state agencies.

A major development this year was completion of the electronic personnel action filing system. The system allows instant retrieval via cathode ray tube (CRT) of a personnel

action from an employee file. Personnel actions are updated to the file as soon as they are approved by the Department of Personnel. The system was completed December 1, 1983. Deployment of the system to state agencies was begun in February of 1984 and will be a continuous process during 1984. The implication of the system for state agencies is that paperfiles could eventually be eliminated.

Another milestone was the development of a standard statewide time and attendance form. No standardization previously existed. Significant economies of scale in terms of processing (preparation, key-punching, transaction-generating, etc.) accrued because of the form. And the pre-printing of various information on this form for time-keepers contributed to the efficiency of it. Most time-keepers indicated a reduction of 50% work compared to the work required by their old form.

The Division of Payroll Administration has expanded the use of Video 370 procedures to roughly one-third of state government employees. The significance of this expansion is the increase in productivity it provides for state agencies. The necessity to manually generate transactions is eliminated and mailing processes are avoided.

For the first time, the Division of Payroll Administration is "sharing" its electronic files on employee and position information for particular agencies with that agency. An agency can now run its own computer programs and produce management reports on the employee and position information just for that agency.

Personnel Action Processing System

For many years, both State agencies and departmental staff complained of the following problems with the personnel processing system:

- up to 90% redundant typing of the 100,000-plus personnel actions submitted each year to the Department of Personnel;
- the processing times of personnel actions through the Department often exceeded two weeks;
- position control runs were often in error;
- there was no systematic method for determining where a personnel action was located in the department; and
- the information required on most position action documents was largely redundant of personnel action information, yet a separate document had to be prepared for both the position and the person.

Two phases were planned to solve these problems. The first was implemented July 16, 1983, and basically eliminated up to 90% of the work required for an agency to prepare a personnel action. The implementation of Phase II began December 1, 1983. The purpose of that phase was to refine procedures and improve the quality of personnel action processing.

Some of the results of these two projects are:

1. The Personnel Department, in effect, now "types" over 90% of all the information on personnel actions produced by state agencies and does so with much greater accuracy than agencies previously did.
2. The Processing Section does more than twice the work done previously but with only half the staff. The previous staff numbered 26; it is now 12. Examples of the extra work done include:
 - a. completing dual employment reports.
 - b. maintaining time-limited termination activity for agencies.
 - c. editing 300% more data.
3. There are now approximately 50 automated edits of the personnel actions, so the integrity of data is significantly increased. Previously, there were just a few manual edits.
4. The processing system contemplated reducing average personnel action processing times from 8 working days to 3 working days. The hiring freeze, however, introduced review procedures that did not exist before, so processing time has necessarily increased.
5. Personnel actions entered into the system when they arrive in Personnel can now be "tracked." Previously, the Department could not determine if a personnel action had even been received.

The total project required nearly 50 man-years of work. Over 250 agency staff were trained on how to use the system.

Other improvements that were a part of this general area of work are:

- Maintenance of personnel action routing information by the computer, assuring proper review of personnel actions and reducing the training required for processing clerks.
- Elimination of the P-32 form, eliminating use of a special form that required special handling.

Personnel Actions Processed

78-79	131,000
79-80	122,000
80-81	102,000
81-82	100,000
82-83	120,000
83-84	91,000

Fewer actions occurred this year because

1. the combined P-1/P-3 form eliminated over 5,000 position actions;
2. a freeze on hiring was declared by the governor;
3. the volume of grade changes is less;
4. there are fewer erroneous personnel actions received/processed;
5. there are fewer reorganization actions.

Health Insurance

During the fiscal year, seven measures were taken to improve the state's health insurance benefits for state employees.

1. The state's benefit plan was redesigned to make it easier to understand, to make it more cost effective, to make filing claims easier, and to provide improved catastrophic coverage.
2. Existing cost containment programs and incentives were modified.
3. Competitive bids were solicited for the state health contract. This action followed the removal of previous tax barriers to non-domestic insurance companies by the 1984 General Assembly.
4. Employee communication was improved via
 - A quarterly Health Benefits Bulletin
 - A new Plain Language benefits booklet
 - Presentations to groups of employees
5. A random sample survey of 980 state and boards of education employees to learn their preferences about health insurance was conducted.
6. Health education and wellness programs were initiated.
7. The first comprehensive claims audit and actuarial evaluation of the Blue Cross and Blue Shield contract was completed.

"Health Thyself"

During fiscal year 1983-1984 the Department of Personnel conducted a health education and wellness program called "Health Thyself." Program components included (1) voluntary and confidential health risk appraisals giving computer print-out information on the employee's health profile after analysis of a questionnaire; (2) "The Great American Smoke Out," sponsored by the American Cancer Association; (3) "Brown Bag" matinees and seminars with lunchtime discussions and films on topics such as exercise, nutrition, stress management, and alcohol abuse; (4) "Creative Cuisine," sponsored by the American Heart Association, to provide delicious, low-cholesterol, low-fat foods for those wishing to improve their diet; (5) a "Walk and Fun Run" around the Capitol grounds; (6) the "Steppin Up" exercise program to encourage employees to use stairways for beneficial exercise; and (7) the "Take a Hike" eight-week walking program to encourage employees to develop an aerobic exercise program.

Workers' Compensation

As the administrator of Workers' Compensation for state agencies the Department of Personnel made cost saving improvements during 1983-1984.

First, claim processing and record keeping underwent procedural modifications that streamlined bookkeeping sufficiently to reduce staff requirements by one full-time person.

Second, a more equitable method of determining agency premiums was adopted. Instead of assessing agency premiums on the basis of job risk categories as in the past, a new method was devised whereby each agency's claims history was evaluated and premiums were derived from actual use statistics. By this method those agencies with low claims were able to reduce their premiums while high-claims agencies assumed their premium costs proportionately.

A final cost-saver was the competitive bidding of excess risk insurance (i.e., coverage for costs above and beyond the basic Workers' Compensation liability). By awarding the excess risk insurance contract after competitive bidding, the state reduced its basic liability from \$500,000 to \$300,000 while saving \$12,000 per year in premiums.

Deferred Compensation System

The Deferred Compensation Board replaced the previous administrator of the System during the fall of 1983. The Department of Personnel became administrator of the System during November. The original estimate of staff requirements was that the program would require four people plus the existing coordinator. The program is now being administered with the equivalent of three full-time staff members.

When the Department of Personnel assumed the function, the Master File was replete with errors and money movement from the System to the carriers was regularly up to three months late. The Department spent over 500 manhours correcting the errors, developed more efficient procedures and is now moving the deferred funds twice per month on schedule. Now, only deferrals that are in error as received from the school or state agency are held, pending review. In July, however, procedures will be installed to return deferrals in error to the school, university, or state agency.

Problems employees discovered as a result of the data in the statements led to over 200 requests for audits of individual accounts. These requests and associated problems relating to the statements (that reflected the work of the previous administrator) resulted in several months' work by the Personnel Department.

Computer programs have been created to better analyze incoming data, especially erroneous deferrals. Procedures have been instituted to allow new participants to be added on a regular weekly basis. Changes in bookkeeping methods have streamlined the money movement process.

Benefit Planning and Administration

In addition to its coordinating of the state's health insurance, state-paid employee life insurance, and Workers' Compensation programs, the Risk Management Branch surveyed other employers in order to assess the competitiveness of state government's benefit package.

Risk Management staff also surveyed 800 randomly selected state employees to assess their interest in flexible benefits ("menu" plans) and their satisfaction with current benefit programs.

Equal Employment Opportunity and Affirmative Action

Following the election of governor Martha Layne Collins, the Department of Personnel's Office of Equal Employment Opportunity, with the coordinating advice of the Commissioner's Office, prepared the Governor's Code of Fair Practices and the new Affirmative Action Plan for state government. For the first time, state government in Kentucky became committed to specific goals and timetables in minority and handicapped hiring. These progressive and measureable steps taken by directive of Governor Collins have received the endorsement and enthusiastic praise of the state chapter of the National Association for the Advancement of Colored People (NAACP).

Employment Services Agreement

During the 1983-1984 fiscal year the Department of Personnel entered into an agreement with the Department for Employment Services to greatly facilitate that agency's information gathering for federal reports required under their funding arrangement.

Under the agreement, two employees of the Department for Employment Services are assigned to the Applicant Counseling and Examinations division of the Department of Personnel to review all state hiring documents. From their review they compile employment data such as total numbers, race, sex, and demographic distribution, and agency placement. They enter the data into a computer program and use the information to reflect their status relative to their placement goals.

In turn, the Department for Employment Services has assumed administering all state merit examinations for the Louisville/Jefferson County area at their Sixth and Cedar office at no cost to the Department of Personnel.

DIVISION OF APPLICANT COUNSELING AND EXAMINATIONS
STATISTICAL REPORT

Applicant Processing and Exam Administration Section:

Written Examinations Administered and Graded	31,396
Qualifications Processed	14,807
Training and Experience Ratings Processed	2,036
Total Number of Applicants	30,332

These exams were administered in Frankfort, seventeen regional test centers, and four special centers.

Counseling Branch:

Applicants Interviewed	over 11,500
Mail-in Applications Reviewed	over 19,000
Personnel Actions Reviewed	over 5,000

Examinations Branch:

Written Exams Constructed	91
Training and Experience Guidelines Constructed	65
Exam Statistical Analyses	29
Training and Experience Evaluations	2,036

Register Section:

Certificates Issued	2,886
Appointments from Register	1,687
Purge Cards	17,367
Verifications	3,125

**DIVISION OF CLASSIFICATION AND COMPENSATION
STATISTICAL REPORT**

New Job Classes Developed	43
Job Classes Abolished	17
Job Classes Revised	68
Pay Grade Changes, Adjustments, and Special Entrance Rates	34

EMPLOYEE FACTS

(as of June 30, 1984)

30,630 are in the Executive Branch
204 are in the Legislative Branch
1,959 are in the Judicial Branch

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

43.8% are female
7.5% are minority

The average permanent full-time employee in the Executive Branch:

Earns \$18,360 per year salary
Receives \$ 4,186 in benefits