

ANNUAL REPORT

1984 - 1985



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, 1985

Honorable Martha Layne Collins
Governor of Kentucky

Honorable Philip Taliaferro
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 1984-1985.

Sincerely,

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

Thomas C. Greenwell, Commissioner
Department of Personnel

DEPARTMENT OF PERSONNEL HIGHLIGHTS

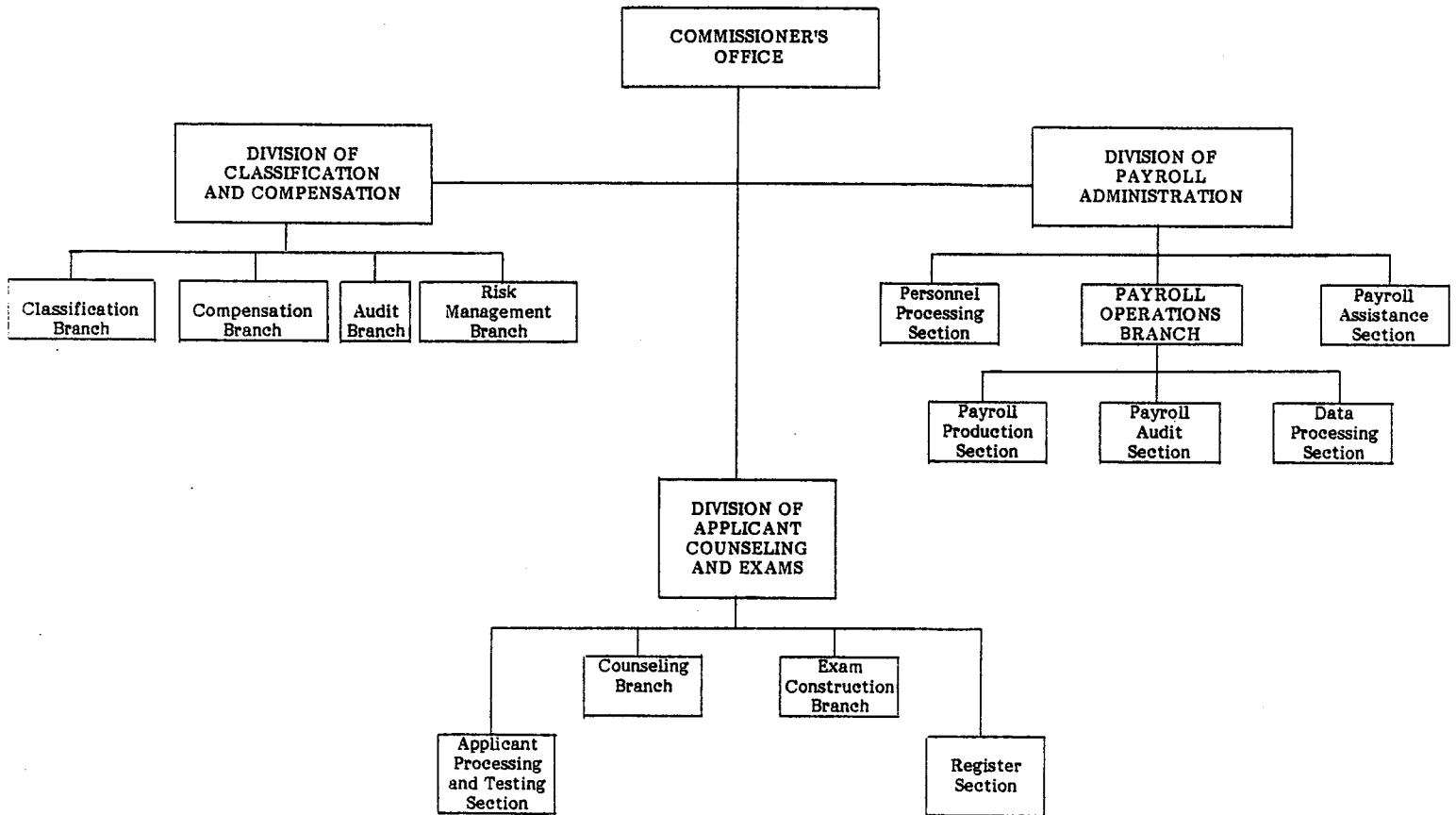
1984—1985

- Health insurance benefits expanded in new state contract
- Additional health insurance options offered to employees through alternative carriers
- Life insurance coverage raised for employees over 60 to equal coverage for other employees
- Optional life insurance rates reduced
- Governor's Affirmative Action Plan implemented
- Employee committee on performance appraisal established
- Revision, publication, and distribution of the Employee Handbook
- Sponsorship of a "Fun Run/Walk" for increased health and fitness
- Investment policies and procedures of Deferred Compensation system improved to bring about better earnings for employees
- Electronic deposits of employee paychecks made more efficient
- Agency projections of personnel cost for biennial budgeting put in computer program
- Electronic routing of personnel action forms and payroll information begun for saving time and money
- Agency electronic entry of time and attendance data programmed for higher reliability of information and more efficient processing of payrolls
- Personal computers and microfilming equipment purchased to improve efficiency and reliability of personnel systems
- Merit system applicant testing policies and procedures improved for greater test validation
- Security measures for merit system testing improved
- June 16, 1982, job class reallocation hearings before Personnel Board completed

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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. 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; and provides for such other services as are enumerated in KRS 18A.030.

ACCOMPLISHMENTS

Deferred Compensation System

Since the Department of Personnel became the administrator of the state's Deferred Compensation System a year ago, it has improved the investment policies and participant information methods of the system in several ways.

When the system was administered by private contract, participant deferrals were actually delayed so they could earn interest to pay for administrative costs. Now, deferrals are relayed by wire and immediate investment is required by current policy. This policy strengthens the system by assuring participants that their dollars are working for them rather than for an administrator. And this change in favor of participants is at no extra cost.

To improve communications with Deferred Compensation participants, the Deferred Compensation Board now requires that each person who enrolls must first attend a formal group explanation of the system. Since June 1, 1984, approximately 300 group meetings have been held throughout the state. More than 4,000 employees have attended these explanations, and nearly 1,000 employees have enrolled. Employee confidence in the system is at an all-time high.

Participants now also receive more complete information more frequently than in the past when they read their statement of accounts. Instead of an annual statement, they now receive semi-annual statements. These statements of accounts are designed to:

- Inform participants of their account activity during the six month period;
- Inform participants of their account value as of the date of the statement (June 30 or December 31);
- Confirm that funds are being invested as specified in the participation agreement.

Other improvements in communication links with participants include:

- Regularly-published semi-annual newsletters (we are currently studying the feasibility of publishing newsletters quarterly, and this may be a forthcoming innovation to benefit participants);

- A new "Information Center" telephone line giving participants access to information with just one telephone call. Participants may use the line any Monday through Friday from 8:00 a.m. to 4:30 p.m., Frankfort time by calling (502) 564-7240.
- Reply cards attached to the newsletter and mailed with every statement of account. This card may be used for inquiries, comments, and suggestions on the Deferred Compensation System.

All of these improvements on behalf of the participants make deferred compensation a more attractive employee benefit for state employees.

Direct Deposit of Employee Paychecks

Payroll processing time needed for direct deposit of employee paychecks decreased by 25% during 1984-85. By negotiating procedures to eliminate some of the correspondent banks' handling of deposits (banks that served as "middle man" between the state's deposit and the Federal Reserve Bank), the Division of Payroll Administration cut its error rate and overtime. The result was greater efficiency, reliability, and speed.

Electronic Routing of Documents

Efficiency and accuracy are the watchwords that apply to the electronic routing of personnel action forms (P-1's) and time and attendance forms.

During 1984-1985, the Division of Payroll Administration eliminated many of the manual procedures used to process P-1's and time and attendance sheets. Electronic routing of these forms assures a much faster turnaround time and allows agencies to complete many transactions 24-36 hours quicker. Because electronic editing functions are also programmed into the procedure, opportunities for human error are reduced dramatically. More than 250 checks on P-1's are now performed electronically. The result is that fewer hours are lost in paper transmittals and that fewer P-1's are produced because there are fewer errors to be corrected.

With the success of electronic routing within the Payroll Administration Division, work began on developing a corresponding data-entry system to speed agencies' time and attendance reporting to this department. The Payroll Time and Labor System (PTL) is an on-line screen format that matches the time and attendance form. All the

information used on the standard form appears on the screen, undergoes simultaneous editing for errors, and can be transmitted remotely for printout in the Department of Personnel's Payroll Administration division. Again, many hours are saved by eliminating unnecessary keypunching and transmittal times. As of June 30, 1985, approximately two-thirds of state employees are kept on the PTL system.

Health Insurance

Following competitive bidding and intense negotiations that forced a three-month extension of the old health insurance contract, state employees and teachers gained the best package of coverage options ever made available to them. Procuring the state's health insurance contract by competitive bidding saved the state approximately \$7.33 million.

Blue Cross/Blue Shield of Kentucky won the state contract with comprehensive coverage including a claims unit servicing only state contract subscribers, reduced deductibles, reduced co-payments, lower out-of-pocket expenses, increased maximum benefit levels, and a single claim form.

In addition to the Blue Cross/Blue Shield option available to all employees, those employees who live within defined service areas may choose from four other health maintenance organizations. Employees electing one of these options must pay the difference, through payroll deduction, when the cost for coverage is higher than the state-paid Blue Cross/Blue Shield coverage.

Employee Group Life Insurance

By opening the Employee Group Life Insurance program to competitive bidding, the Department of Personnel improved the life insurance benefits for employees during 1985-86 in two ways:

- The death benefit, which used to decrease at age 60 and again at age 65, now remains at its full value of \$5,000 after age 60, with no reduction because of age;

- Optional insurance available to employees was reduced from \$.54 per thousand dollars of coverage per month to \$.43 per thousand per month — a 20% reduction in cost for the same coverage received under the former insurance carrier.

The three year Employee Group Life Insurance contract was awarded to the Investors Heritage Life Insurance Company.

Employee Suggestion System

The Employee Suggestion System, begun in 1981, has proven to be an investment in good ideas. Through it, employees with innovative suggestions for saving money in state government have received cash awards now totaling over \$41,000. The savings to the state has been over \$600,000 since the beginning of the program.

This year, employees whose suggestions were adopted received awards worth over \$2,000, saving the state more than \$20,000.

The Employee Suggestion System awards are for 10 percent of the actual or projected one year's savings to the state, up to a maximum of \$2,500. The system is administered by a board made up of appointed coordinators from each cabinet of state government and chaired by the Department of Personnel coordinator.

The Employee Suggestion System is truly a program that pays for itself.

Employee Handbook

In September 1984 the Department of Personnel issued an employee handbook for general distribution to all employees. The new handbook was a revision of an earlier edition, but with information brought up to date and in a more attractive and readable format.

The Employee Handbook contains detailed information on the Merit System, conditions of employment, and employee benefits.

Equal Employment Opportunity and Affirmative Action

Governor Collins signed the Affirmative Action Plan for state government on June 29, 1984. The new plan established for the first time specific goals and timetables for state agencies.

During the first year of its being in effect, the Affirmative Action Plan has required a lot of ground work. To prepare agencies in ways to meet their goals, the Office of Equal Employment Opportunity within the Department of Personnel has concentrated upon management awareness and EEO training. Responsibility for success lies with each agency; the role of the Department of Personnel is to provide needed technical assistance and support in reaching those goals.

As in fiscal year 1983-1984, the Office of Equal Employment Opportunity will continue throughout 1985 to concentrate upon such areas as testing, compensation, classification, tuition assistance, recruitment, and training—all areas where procedures and policies may be fine-tuned to provide the maximum level of agency assistance.

As agencies realize the need for top level support from cabinet secretaries and agency heads, they will accelerate their progress toward equal employment opportunity goals. With emphasis placed upon hiring females and minorities and upon providing ready avenues for advancement, Kentucky's Affirmative Action program will succeed.

Examination Procedures

During the 1984-1985 fiscal year, the Division of Applicant Counseling and Examinations made the following changes related to merit system testing:

- Developed a more thorough system of weighting and ranking job analysis information to provide more documentation useful in test validation;
- Revised procedures for statistical analyses on tests in order to make them more comprehensive and easier to administer;
- Adopted a policy permitting applicants to use calculators when taking tests.

With the assistance of the Kentucky State Police, the Division of Applicant Counseling and Examinations also analyzed security risks and took measures to help guarantee the security of merit system examinations.

Co-op Student Employment and Educational Achievement Increases in Pay

The Division of Applicant Counseling and Examinations assisted 138 high school, college, and vocational school students in finding jobs within state government under the Co-op Student Employment Program in fiscal 1984-1985.

The division also became responsible for reviewing and evaluating requests for educational achievement pay increases. After reviewing the procedures already in use, the division made appropriate revisions that will improve the efficiency of program administration. Staff reviewed 179 employee requests for educational achievement pay increases.

Pay Plan Adjustment

Compensation analysts continue to monitor and analyze salary survey data for relevant job markets with a view toward requesting an appropriation to meet the need for general pay plan adjustment from the General Assembly. While funds were not available for pay plan adjustments during the current biennium, they will be necessary if Kentucky is to hire and retain state employees in a competitive market.

Personnel Board Hearings on 1982 Reallocation Program

During the fiscal year, the Department of Personnel saw the end of hearings before the Personnel Board concerning the June 16, 1982, job class reallocations. Of the more than 300 cases scheduled to be heard by the Board, 92 were decided in the Department of Personnel's favor; 18 granted some type of relief to the employee; three were remanded to the Department of Personnel for additional consideration, and the remainder were either dropped by the employee or resolved before coming before the board. Of these cases, 17 were taken to the Franklin Circuit Court on appeal.

Workers' Compensation

The Department of Personnel (Risk Management Branch) administers the state's Workers' Compensation program. Agency claims are forwarded to the Risk Management Branch, where they are assigned a number and a file, then sent on to the

insurance carrier. After investigation, the carrier reports its action on each claim to Risk Management. The claims experience for three years and the number of employees in the agency become the basis for figuring each agency's premium for the new fiscal year.

State Agency Personnel Budgets

In past years, each agency manually prepared its own projections of personnel costs using a variety of costs assumptions for such items as vacant positions, occasional laborers not placed on the payroll, all types of other state employment categories with positions established on the payroll, and fringe and other personnel overhead cost factors (i.e., annual increments, retirement, FICA, health and life insurance). With a variety of assumptions being used, some agencies ended their fiscal year with surplus personnel funds while some others finished the year with deficits.

In 1985, the Division of Payroll Administration, Department of Personnel, created a system that automated budget projections of personnel costs throughout state government. By applying a unified set of assumptions for cost projection to all agencies, the system now provides each agency with two printouts:

- A detailed positions report that lists every agency position, pay grade, incumbent (or vacancy), gross salary, increment cost, retirement cost, FICA cost, life and health insurance cost, and total cost
- A summary report listing each job class, its filled equivalent, vacant equivalent, gross increment costs and average of gross increment costs, retirement costs, FICA costs, life and health insurance costs, total position costs, and average position costs. These printouts are provided to each agency with projections for the next three years.

By automating personnel costs forecasting, the Department of Personnel is now able to provide more reliable information in a fraction of the time personnel budgeting used to take. Every agency will benefit by the simplification and standardizing of the process, and legislators will now have accurate, coherent personnel budget requests instead of the mountain of confusing documentation they received in years gone by.

DIVISION OF CLASSIFICATION AND COMPENSATION**STATISTICAL REPORT**

New Job Classes Established	152
Job Classes Abolished	58
Job Classes Revised	184
Pay Grade Changes, Adjustments, and Special Entrance Rates Established	104

DIVISION OF APPLICANT COUNSELING AND EXAMINATIONS

STATISTICAL REPORT

Examination Construction Branch

Classes for which selection methods were developed	403
Classes opened for testing	288
Written examinations constructed	34
Training and Experience guidelines constructed	72
Exam statistical analyses	161
T & E evaluations	4,011

Applicant Processing and Exam Administration Section

Written examinations administered and graded	55,021
QUAL applications processed	19,284
Total number of applicants	41,017

Counseling Branch

Applicants interviewed	14,865
Personnel actions reviewed	11,308

Register Section

Certificates issued	4,516
Appointments from register	3,443
Purge cards processed	42,436
Verifications	4,039

EMPLOYEE FACTS**(as of June 30, 1985)**

31,795 are in the Executive Branch
209 are in the Legislative Branch
1,984 are in the Judicial Branch

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

45.86% are female
7.90% are minority

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

Earns \$18,439 per year salary
Receives \$ 4,375 in benefits