

Personnel Cabinet Annual Report 2005-2006



Ernie Fletcher
Governor

Brian J. Crall
Secretary

2005-2006
Annual Report

Personnel Cabinet

All information contained in this report is as of
June 30, 2006

Prepared by:
Office of Communications
Personnel Cabinet
200 Fair Oaks Lane, Suite 516
Frankfort, KY 40601
502-564-4460

Table of Contents

From the Desk of Secretary Brian J. Crall.....	i
Core Values, Vision and Mission.....	1
Organizational Chart.....	2
Personnel Cabinet Responsibilities	
Office of the Secretary.....	3
Office of Administrative Services	
Administrative Services Branch.....	3
Office of Communications.....	3
Office for Employee and Organizational Development.....	5
Office of Human Resource Planning & Diversity Initiatives.....	5
Office of Legal Services.....	6
Office for Employee Relations	
Division of Employee Benefits.....	6
Division of Employee Services & Recognition.....	6
Department for Employee Insurance	
Division of Insurance Administration.....	7
Division of Financial & Data Services.....	8
Department for Personnel Administration	
Division of Employee Management.....	9
Division of Staffing Services.....	9
Division of Human Resource Projects.....	10
Systems Management Branch.....	11
Kentucky Employees Deferred Compensation Authority.....	12
Personnel Cabinet Accomplishments.....	13
Employee Facts.....	58
Personnel Cabinet Expenditures.....	60



PERSONNEL CABINET

Ernie Fletcher
Governor

200 Fair Oaks Lane, 5th Floor
Frankfort, Kentucky 40601
Phone (502) 564-7430
Fax (502) 564-7603
<http://personnel.ky.gov>

Brian J. Crall
Secretary

September 30, 2006

Governor Ernie Fletcher
700 Capitol Avenue
Frankfort, KY 40601

Legislative Research Commission
700 Capitol Avenue
Frankfort, KY 40601

Personnel Board
28 Fountain Place
Frankfort, KY 40601

Dear Governor Fletcher, Legislative Research Commission and Personnel Board:

Pursuant to KRS 18A.030 (2) (1), I am pleased to submit to you the Annual Report of the Personnel Cabinet for the fiscal year ended June 30, 2006. This report will give you a thorough overview of the financial, statistical and historical information pertaining to the services provided by this cabinet. We will continue to use this information to further our strategic plan in concurrence with Governor Fletcher's vision for Kentucky.

The Personnel Cabinet successfully implemented a state-wide self-insured health program for Commonwealth employees in January, 2006, enabling the Commonwealth to save significant dollars for taxpayers while maintaining employee benefits. Our health insurance program focuses on wellness rather than illness and addresses long-term health instead of short-term fixes. In adopting the self-insured program, the cabinet also saved the Commonwealth more than \$133,900.00 in the fall of 2005 by developing and utilizing the first online health insurance enrollment for employees. Online enrollment allowed for less paperwork and more efficiency in state government. The Department for Employee Insurance received the Kentucky Digital Government Summit Award in recognition of this accomplishment.

Another major development includes moving forward with the Kentucky Human Resource Information System (KHRIS) Project. KHRIS is on track with Career Opportunities which is designed to allow job applicants to apply online while providing hiring managers within state government the ability to more easily search for qualified applicants through technology. Applicants will have online access to "live help," meaning a staffing services professional will answer their questions directly through a web chat line. In the coming year, we will be working on KHRIS HR Administration which will consolidate personnel, payroll and benefits' services.

Governor Fletcher
September 30, 2006
Page Two

During this timeframe, the Personnel Cabinet also established the Office of Human Resource, Diversity and Initiative Planning. This office is charged with following federal guidelines regarding equal employment opportunity issues and working toward reaching Governor Fletcher's long-term goal of hiring 52.42% women and 10% minorities throughout state government. Data for this reporting period reflects progress toward these goals.

During fiscal year 2006-2007, we will be implementing and managing the programs mentioned above and many more. Other projects include a new Wellness Works Kentucky program, geared to raise employees' health awareness and activity levels. This program falls in line with Governor Fletcher's overall health goals for the state.

I proudly report we have a dedicated, energetic team in Personnel, committed to moving Kentucky forward as we work to better serve the people of the Commonwealth.

Sincerely,



Brian J. Crall
Secretary

Core Values, Vision and Mission

CORE VALUES

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

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

VISION

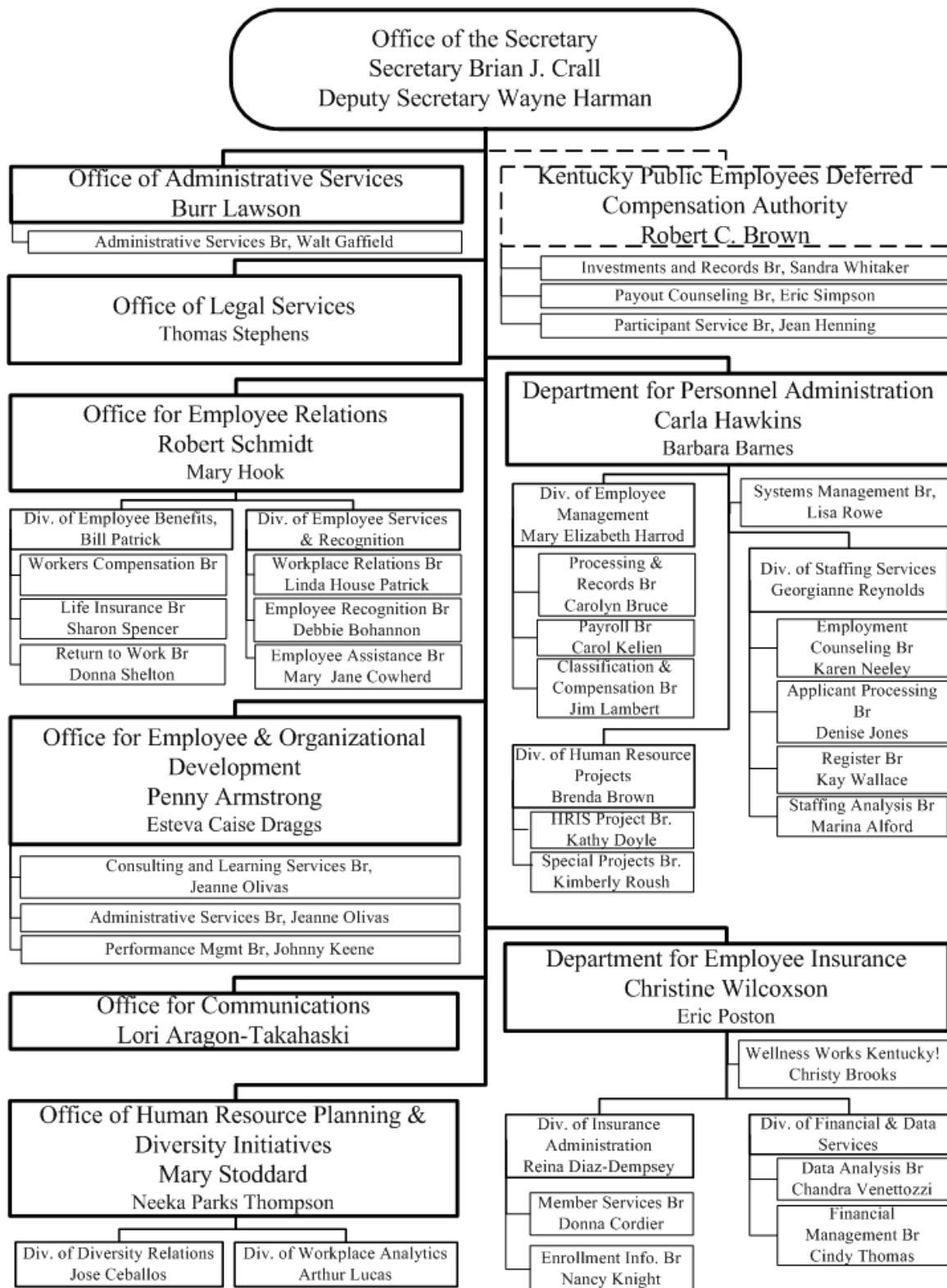
To serve as a model in the Commonwealth of Kentucky for the effective and efficient short and long term use of human resources.

MISSION STATEMENT

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

Organizational Chart

PERSONNEL CABINET



Responsibilities

Office of the Secretary

The Office of the Secretary provides executive policy and management support to the departments, offices and divisions of the cabinet, publicizes administrative regulations, advises the Personnel Board on matters pertaining to 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 offices of Administrative Services, Legal Services and Communications.

Office of Administrative Services

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

Administrative Services Branch

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

Office of Communications

The Office of Communications serves the governor to inform state employees and taxpayers about state and cabinet initiatives and activities.

Mission Statement

To serve the governor in informing Commonwealth employees & taxpayers about government and cabinet initiatives and activities, to encourage participation, and to represent the Personnel Cabinet positively, honestly and ethically.

- Discuss layout and job assignments for each issue
- Request photos from different agencies (usually the agency which provided the story or Creative Services for governors' events) to be published in the Unbridled Voice.
- Re-write/shorten press releases to be published in the Unbridled Voice
- Write assigned stories for the Unbridled Voice, such as Personnel cabinet events or interesting employee events from other cabinets.
- Edit the Unbridled Voice at least twice before publication
- Handle Distribution

Responsibilities

Personnel Perspective

Published quarterly, to coincide with the Employee of the Quarter Events.

- Work with Employee Relations to obtain winners list for publication
- Assist with photography when needed
- E-mail photos to employee of the quarter winners after ceremony
- Conduct layout and story placement
- Learn layout and put together Personnel Perspective (Usually 5 pages)

Editing Duties

Edit any and all publications, such as brochure copy, the Diversity Newsletter (published monthly), web copy, wellness materials, the Unbridled Voice, annual reports, educational materials, booklets, talking points, news releases, media advisories, and anything else that meets the public eye.

Events' Planning

- Cabinet Activities to be promoted, such as wellness activities,
- Kentucky Human Resource Information System (KHRIS) education throughout the state,
- Equal Employment Opportunity (EEO) Conference,
- News Conferences: (Talking Points provided to the Governor's office & to the Cabinet Secretary before speeches, news conferences, major cabinet events)
- KECC, March of Dimes or other charity event we sponsor
- Assist with gathering news stories daily: related to the Personnel cabinet, potential legislative issues, state employee issues – for Secretary's review;
- Organize news clippings about cabinet & employee issues, such as employee insurance, deferred comp, workers comp, EEO, Diversity issues, etc.
- Assist other Public Information Officers to help promote their programs when needed
- Assist the Governor's Communications Office – provide monthly accomplishments of the Personnel Cabinet
- Annual Report: Gather information, charts and materials for the yearly annual report, edit, print, bind and distribute.

Responsibilities

Office for Employee and Organizational Development (OEOD)

The Office of Government Training (OGT) has been renamed to the Office for Employee and Organizational Development (OEOD). The Office for Employee and Organizational Development retains its former mission of providing training and consultative services to state employees, and its offices remain on the campus of Kentucky State University in Frankfort.

Office of Human Resource Planning & Diversity Initiatives

The Office of Human Resource Planning and Diversity Initiatives is responsible for the coordination of human resource planning and diversity initiatives statewide. The office is responsible for the Affirmative Action Plan for state government and reports its progress to the Personnel Cabinet Secretary twice a year in the Semi-Annual Report on Minority Employment. It monitors the employment goals for state government, complies with the equal employment opportunity laws and advises agencies as to the handling and investigation of discrimination complaints including the monitoring, tracking, and reviewing of discrimination complaints.

The staff provides technical assistance, training, and resources on EEO, diversity, and sexual harassment prevention to the Personnel Cabinet and other state agencies. In conjunction with training, this office develops and coordinates the Annual Governor's EEO Conference, which is the primary continuing education and training event for EEO counselors and coordinators, personnel executives, and managers. This office also serves as the central recruiting coordinator for all of state government and assists agencies in recruiting efforts related to Affirmative Action initiatives'. In addition, it oversees other diversity initiatives such as the Governor's Diversity Day, the Diversity Resume Bank and publishes the *Scope of Diversity Newsletter*, a monthly newsletter for EEO coordinators and personnel executives. Moreover, this office works in collaboration with the Office for Employee and Organizational Development to monitor and evaluate the Governor's Minority Management Program.

Responsibilities

Office of Legal Services

The Office of Legal Services' (OLS) primary mission is to oversee the administration of legal services for the Personnel Cabinet. In performing this mission, the office performs various tasks including but not limited to: drafting legal pleadings, memoranda, proposed statutes, regulations and opinions; representing the Cabinet and its employees in administrative hearings and trials before state and federal courts; acting as the Cabinet's Custodian of Records for the Kentucky Open Records Act; consulting with other agencies on the application and enforcement of state and federal personnel laws and regulations; testifying before legislative committees; serving as an expert witness in trials concerning the Kentucky personnel system; and conducting training on personnel issues effecting the Commonwealth.

Office for Employee Relations

This office includes the Executive Director's Office and two divisions. The main goal of the Executive Director's Office is to provide executive leadership to Employee Relations' programs and staff. In addition to the regular duties within the two divisions, this office coordinates the Personnel Cabinet's Annual Employee Appreciation Day, which is part of Public Employee Recognition Week and Employee of the Quarter.

Division of Employee Benefits

This division is responsible for the Life Insurance Program, the state employees' Workers' Compensation Program, the coordination of the Kentucky Safety Program and the Executive Safety Advisory Committee. Many of these programs also serve employees of other governmental entities, such as local school districts, universities and other local governments.

Division of Employee Services and Recognition

This division is responsible for the Employee Suggestion System, the Career Service Program, the Personnel Answer Line, the Kentucky Employee Mediation Program (KEMP), the Kentucky Employee Assistance Program (KEAP), the administration of the Sick Leave and Annual Leave Sharing Programs, the Family Medical Leave Act (FMLA) and the Adoption Benefits Program which assists executive branch employees with eligible expenses incurred in the adoption of a child. The staff also provides assistance and training on the Americans with Disabilities Act (ADA) to employees of the Personnel Cabinet and, upon request, to employees of other state agencies.

Responsibilities

Department for Employee Insurance (DEI)

Mission Statement

The Department for Employee Insurance is responsible for overseeing the Kentucky Employees Health Plan (KEHP) as well as the Flexible Spending Account Program for state employees. The department is to:

- Provide exemplary customer service to the KEHP members, which include employees in state government, boards of education, health departments, retirees and quasi agencies.
- Support state government employees with health insurance and/or flexible spending accounts.
- Receive, analyze and maintain health insurance data to assist the Commonwealth in making decisions relative to the state health insurance plan.
- Support the ongoing efforts of the Employee Advisory Committee and the Kentucky Group Health Insurance Board which includes the development of recommendations on the future direction of the Program.

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

Division of Insurance Administration

This division consists of two branches, the Member Services Branch and the Enrollment Information Branch.

Member Services Branch

This branch is responsible for providing customer service to the KEHP members; assisting with open enrollment processing; educating its members on health insurance issues; administering the state Flexible Spending Account Program; and performing other related health insurance functions.

Responsibilities

Enrollment Information Branch

This branch is responsible for developing and maintaining an eligibility and enrollment database of health insurance information for all participants in the KEHP; providing liaisons to insurance coordinators, Third Party Administrators (TPA) and carriers to meet their enrollment and eligibility data needs; developing and implementing the web based enrollment system; implementing the open enrollment process; and performing other related health insurance functions.

Division of Financial & Data Services

This division consists of two branches, the Financial Management Branch and Data Analysis Branch.

Financial Management Branch

This branch is responsible for implementing and maintaining the Premium Billing and Reconciliation (PB&R) database, collecting premiums and administrative fees paid by each agency participating in the self-insured KEHP. This is accomplished by creating monthly invoices for participating agencies through the PB&R database and contacting insurance coordinators regarding discrepancies monthly. This branch is also responsible for reimbursing the TPA for claims and administrative fees, as well as, maintaining the KEHP fund balance.

Data Analysis Branch

This branch analyzes, evaluates and interprets health insurance data from all available sources and prepares reports based on the data for distribution to appropriate individuals within and outside the Personnel Cabinet. Staff assesses the impact of proposed legislation on the Commonwealth's health care program; provides input to the Commonwealth's budget process with respect to the KEHP; collects, maintains and analyzes enrollment and claims payment data from the Commonwealth's Health Insurance carriers and TPAs through a consolidated database; procures data analysis services to establish and maintain a comprehensive database of eligibility, claims utilization data necessary to manage the KEHP; provides reports to the Kentucky Group Health Insurance Board and the Employee Advisory Committee, as well as, information upon request. This branch also provides system analysis and design support for both the Group Health Insurance (GHI) System and Premium Billing & Reconciliation (PB&R) System. Upgrades to those systems are scheduled each year.

Responsibilities

Department for Personnel Administration

The Department for Personnel Administration consists of the Division of Staffing Services, the Division of Employee Management, the Division of Human Resource Projects, and the Systems Management Branch. These areas contain ten branches with 88 employees.

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

Division of Employee Management

This division consists of three branches, the Processing and Records Branch, the Payroll Branch and the Classification and Compensation Branch.

The function of these branches include processing personnel actions; assisting agencies in creating job classifications and salary computations; maintaining and overseeing the Salary Schedule and Pay Grade Changes; running state payroll and assisting agencies with payroll issues; providing service records for employees and producing documents for employees that are in the Personnel Cabinet files.

Additionally, the Classification and Compensation Branch also reviews and approves agency requests for re-organizations, position number changes, work county changes, rate changes from full to part-time and part-time to full-time, in-grade promotions, and other personnel processes. Staff communicates with citizens, state employees, and other personnel jurisdictions throughout the Commonwealth.

Division of Staffing Services

This branch consists of four branches, the Employment Counseling Branch, the Applicant Processing Branch, the Register Branch and the Staffing Analysis Branch.

This division's responsibility is to operate a centralized applicant and employee counseling program; operate the examination program for state employment; operate the state register programs, including the administration of layoff plans

Responsibilities

and reemployment lists as required by KRS 18A.113 through KRS 18A.1132 and KRS 18A.115, 18A.130 and 18A.135; construct merit examinations and coordinate outreach programs such as recruitment and administrative internship programs.

Merit Employment

The merit employment function of Kentucky State Government, including the recruitment, testing, and placement of competitive (new) employees and the promotion of existing employees under KRS 18A.005-18A.200 and 101KAR and all related statutes and regulations which relates 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.

Division of Human Resource Projects

This Division is responsible for the development and implementation of the Kentucky Human Resources Information System (KHRIS). KHRIS – Career Opportunities will improve the current recruitment process by providing a web based hiring process that is configured to meet Kentucky’s needs. The system will provide services to applicants, the Personnel Cabinet’s Division of Staffing Services and all other Kentucky agencies.

KHRIS- HR Administration will replace the Commonwealth’s current Personnel and Payroll process and will provide administration for Health Insurance and Life Insurance activities. Additionally it will provide self-service features for state employees.

Finally, the Division is responsible for the implementation of other projects that move the Cabinet forward in the implementation of KHRIS. This included the oversight of the generation of an Employee ID that is unique to an employee throughout their state government career.

Responsibilities

Systems Management Branch

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

Technologies currently being utilized include the Internet, web enabled register application, imaging applications in the register branch, employee files, deferred compensation, life insurance and health insurance, web enabled employee suggestion system, health insurance call tracking system, storage area network system and an imaging application and database for the Worker's Compensation program, a web enabled open enrollment application for health insurance and an upgraded register web application to the latest version "MSAR" Magnetic Storage and Retrieval.

The Systems Management Branch monitors and maintains thirty (30) Windows servers, six UNIX servers, two optical storage and retrieval devices, and over 200 users in six locations. This branch also provides support for the Web register application and the employee suggestion system at the agency level. The Systems Management Branch maintains several databases including health, life, EEO, co-op intern, workers compensation and inventory.

Maintenance of ClickHR: an employee self-service system that allows employees to retrieve their electronic pay stubs, check leave balances, review life and health benefits as well as provide employee profiles whereby the employee can enter their work address and emergency contacts.

The Systems Management Branch interacts with other Cabinets, agencies and vendors to insure the Personnel Cabinet is current regarding technology implementation at the state level and in the private sector.

Technologies currently in the development stage include: KHRIS, recruitment systems, working with COT on a wireless LAN infrastructure solution and Encryption appliance for transmission of secure data.

Other technologies currently on the drawing board include content security management, URL filtering and VPN solutions for file transfer.

Responsibilities

Kentucky Public Employee's Deferred Compensation Authority

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

Accomplishments

Office of Administrative Services

Administrative Services Branch

The Office for Administrative Services provides fiscal and human resources management for the Personnel Cabinet. Over the course of the fiscal year ending June 30, 2006, the Cabinet increased its total number of permanent full-time employees from 206 to 226, an increase of 9.7%. The increase related to the Commonwealth self-insuring its health insurance program for state employees and teachers and developing a new Personnel-Payroll System for state government (KHRIS).

The Office coordinated the addition of the 150 building in the Fair Oaks complex to the Personnel Cabinet's leased space for KHRIS and managed the painting of the entire 5th floor in the 200 Fair Oaks Building. Both the additional space and the painting included a significant purchase of modular furniture. The modular furniture in the Department for Employee Insurance has allowed the department to put more employees in the same amount of space including a large financial branch. Administrative Services has begun a new project to move the Kentucky Public Employees Deferred Compensation Authority to a larger building at 150 Sea Hero Road to solve space problems as the Authority adds investment options for participants.

Significant procurements over the course of the year included but were not limited to a new third party administrator for the Workers' Compensation Program, a consulting firm to oversee the development of the KHRIS project, and the prescription drug and third party administration contract for the health insurance program. Administrative Services has played a role in making payments for the health insurance program for both prescription drugs and third party administration.

In the course of dealing with day-to-day administrative tasks and the program expansions in the Cabinet, the State Finance and Administration Cabinet began implementation efforts for the Commonwealth's new eMARS financial system. An Administrative Services employee became a statewide eMARS trainer, design efforts included changing the Cabinet's entire accounting system and structure, and Administrative Services employees had to take a number of training classes in preparation for the new system.

Our employees successfully accounted for expenditures and revenues, and expenditures across the Cabinet were uniformly under budget at the close of the fiscal year.

Accomplishments

Office of Communications

- Planned, organized and accomplished a round-the-state tour with Personnel Cabinet Secretary Erwin Roberts to educate some 1,550 state employees about the 27 proposed recommendations suggested by the Blue Ribbon Merit Task Force. Roberts visited 10 cities including Frankfort, Somerset, Henderson, Lexington, Bowling Green, Highland Heights/Covington, Prestonsburg, Hazard, Kentucky Dam Village and Louisville.
- Worked with media throughout the Blue Ribbon Merit Task Force sessions, writing news releases and gathering information for reporters, with attorney's help, such as numbers of merit and non-merit workers, cost of Merit Task Force speakers' fees, etc.
- Planned separate interviews regarding the merit task force with Secretary Roberts including TV 27, Lexington, "The Bill Bryant Show"; WHAS Radio, Louisville, "The Francine Show"; State Journal Special Report on Merit Task Force before and after the sessions.
- Worked to improve media relations in the midst of a merit hiring investigation, responding to media inquiries in a more timely manner.
- Worked with staff on media relations education – how to address the media and meet their needs in a more timely manner.
- Worked with the Office of Human Resource Planning & Diversity Initiatives to advertise the EEO conference to increase attendance throughout cabinets.
- Worked with the Office of Legal Services to handle nearly 500 Open Records Requests in 2005.
- Worked with the Department for Employee Insurance to communicate upcoming Insurance Benefits' Fair dates throughout the state.
- Worked with the Department for Employee Insurance to launch a new state insurance plan, the first self-insurance plan in which the Commonwealth has participated.
- Reformatted the Communique' adding more news, with less fluff; shortened the edition from 14 pages to 8 pages to save paper and overall printing expenses.
- Continued with prior Communique' staff's goal of changing the newsletter's name to "Unbridled Voice."
- Edited and helped gather materials for the 2004-05 annual report.
- Began developing a strategic plan for communications.
- Worked with the cabinet's various divisions to make sure the Commonwealth of Kentucky's brand was announced and properly implemented.
- Informed state employees about updates regarding the 27 proposed merit recommendations through the personnel cabinet website.
- Added the "In-Design" Adobe program to enhance the look of the "Unbridled Voice" bi-monthly publication.

Accomplishments

- Worked with the Governor’s Office of Graphic Arts to refine the look of the “Unbridled Voice.”
- Reconfigured the “Personnel Perspective” newsletter, making this a quarterly publication instead of monthly, per Secretary Robert’s request.
- Helped develop the Wellness slogan – Living Well, Working Well: Mind, Body, & Spirit.
- Assisted on Wellness Communications’ plans regarding the cabinet kick-off and potential statewide kick-off.
- Promoted Wellness Works Website to all state employees via the Governor’s letter & other communication in the “Unbridled Voice,” the Personnel Perspective and via electronic paycheck messages.
- Edited copy for all Personnel Offices, including the Semi-Annual Report, Website material, Brochures (staffing services & Wellness Works).
- Created initial Wellness Works Brochure design – worked with Wellness team to edit final brochure.
- Created EEO Public Service Announcements for both Radio & Television.
- Created Anderson Laureate Award Public Service Announcement to advertise for nominations.
- Chaired the March of Dimes fund drive: Won March of Dimes Award for the most money collected by a cabinet office, 2006.

Office for Employee and Organizational Development (OEOD)

The Office for Employee and Organizational Development (OEOD) is comprised of the Executive Director’s Office and two branches: Administrative, Consulting and Learning Services Branch and the Performance Management Branch.

The Office for Employee and Organizational Development is in the business of change - helping to improve individual and organizational performance throughout Kentucky government. It acts as the catalyst for change statewide through its employee training and organizational consulting services. In addition, the Office for Employee and Organizational Development is the “champion” for the state’s strategic planning program, which assists agencies in updating their plans.

Strategic Planning

The Office for Employee and Organizational Development assisted the Office of State Budget in fulfilling the statutory requirements of KRS 48.810. Specifically, each cabinet has developed and submitted a four-year strategic plan to meet the

Accomplishments

broad goals outlined by the Governor. All plans submitted include seven components outlined in the statute. The Office for Employee and Organizational Development has made all cabinet strategic plans available online and is currently offering assistance to any agency that makes a request for consulting services related to the strategic plan progress report. The statute requires all agencies to submit a progress report on even numbered years by September 1, 2006. All agencies have been reminded by a notification from the Personnel Cabinet Secretary. Consulting services will be made available as needed.

STRATEGIC PLANNING REPORT: JULY 1, 2005 – JUNE 30, 2006

- Facilitated workshop series at Kentucky State University in July 2005.
- Conducted consulting engagements for the purposes of assisting agencies in developing and revising their Strategic Plan:
 - ✓ EPPC (August, October) -- meetings with the team coordinating and writing the plan;
 - ✓ Education (July, August, October) -- meetings with the executive and staff person facilitating internal planning efforts and writing the plan;
 - ✓ Finance (July and August) -- meetings with the staff coordinating the plan;
 - ✓ Transportation (August, September and October at KYTC) -- meetings and phone conversations with the executives coordinating the plan and with their staff people who were doing the work;
 - ✓ Commerce (August, September) -- meetings with the Deputy Secretary and phone calls with the staff person writing the plan;
 - ✓ Personnel (August) conducted a training/working session with the executives accountable for each section of the plan, plus ongoing drafting and editing through early November.
- Summaries of all plans are available on the Personnel Cabinet Website at: <http://personnel.ky.gov/oeod/strategicplan.htm>
- Draft of Strategic Plan Progress Report Templates went out to all agencies in June from the Personnel Cabinet Secretary.

Performance Management Branch (Skills Training)

In response to a recommendation of the Blue Ribbon Task Force on Merit System Recommendations, The Office for Employee and Organizational Development has developed and implemented new performance management skills training. The training is designed to help supervisors improve the quality of employee performance evaluations.

Accomplishments

The overall goal of the training is to assist supervisors in conducting successful employee evaluations. Supervisors who complete the training learn to:

- Develop and recognize measurable performance goals and expectations; and
- Use appropriate coaching techniques and documentation of work performance

The new performance management skills' training is available in two different formats- Performance Matters Part I & II and the Performance Matters Workshop. The first format is the legally required Performance Matters Part I & II training, previously called performance matters (*supervisor* compliance evaluation training). This training became mandatory April 20, 2006 for all new supervisors responsible for completing employee evaluations. The training lasts one full day. The second format is a one day training workshop focusing totally on performance evaluation skills. This workshop is called the Performance Management Workshop and is open to both employees and supervisors.

Performance Management Branch

- Expanded the legally required "Performance Matters" evaluation compliance training.
- Conducted employee evaluation supervisor training and/or informational sessions for approximately **1,136** supervisors and interested employees.
- Completed a statewide audit of 2004 performance evaluations. This effort resulted in the auditing of **2,684** or **10%** of all evaluations conducted during the 2004 performance period.
- Monitored and provided assistance to agencies in the administration of the employee performance evaluation system resulting in verification of the following achievements:
 - ✓ **27,861** or **97.5%** of all eligible employees met with their supervisor during the required April 2005 interim review meeting to discuss their work performance progress. (*verified July 2005*)
 - ✓ **27,262** or **97.2%** of all eligible employees met with their supervisor during the required August 2005 interim review meeting to discuss their work performance progress. (*verified November 2005*)
 - ✓ **25,713** or **97.8%** of all eligible employees received an annual evaluation for the 2005 performance year.
 - ✓ **28,370** or **98.2%** of all eligible employees met with their supervisor to discuss and sign their 2006 performance plan.
- Implemented a new access training data base to document supervisors who have completed training and identify new supervisors who need evaluation training.
- Developed a new employee orientation process for the Personnel Cabinet and facilitated training for **22** new employees.

Accomplishments

Certified Public Managers Program

The Office for Employee and Organizational Development (OEOD) has refined the Kentucky Certified Public Manager® (KCPM) Program. The Kentucky Certified Public Manager Program® is a nationally accredited management certificate program that is challenging, disciplined, current and comprehensive. Kentucky is 1 of 26 states in the nation accredited by the National Certified Public Manager Consortium.

The purpose of the Kentucky Certified Public Manager (CPM) program is to develop an identifiable pool of knowledge; expertise and talent in the form of well trained, highly motivated and dedicated public and potential managers.

New program structure effective 2006 will impact Kentucky State University (KSU) and the state of Kentucky in the following ways:

- Consortium's first and only partnership between a state agency and a historically black college and university.
- Employees receive 18 credit hours toward a degree at KSU.
- Employees receive exposure to KSU faculty and Public Administration program that could facilitate future enrollment in a degree program.

Beginning in the fall of 2006, Kentucky Certified Public Manager participants will be admitted to the two year program to earn the nationally recognized Certified Public Manager® designation.

Consulting Services Branch Projects

Organizational Development (OD) services focus on improving team, group and organizational performance, whereas our training services focus primarily on improving the performance of individuals. Our Organizational Development consultants are being called on to help with a wide range of services from facilitating board, commission, or team meetings to helping cabinet and agency leaders assess overall organizational performance and determine improvement opportunities.

- Assisted the Cabinet for Health and Family Services (CHFS) with developing specialized training for facilitators hired to assist with Root Cause Analysis of sentimental events that occur in the Department for Community Based Services (DCBS). The Office for Employee and Organizational Development consultants were instrumental in the development and delivery of the Kentucky Root Cause Analysis (KRCA) curriculum to CHFS facilitators.

Accomplishments

- Assisted with the Kentucky Workgroup on Civic Education's April 2006 Conference. The Office for Employee and Organizational Development was engaged to facilitate the development of a three-year strategic plan for the 13 southern states during the conference. The office worked closely with Dr. Deborah Williamson from the Kentucky Administrative Office of the Courts and Natalie Stiglitz Co-Director of the Nystrand Center of Excellence in Education from the University of Louisville to develop the strategy, agenda, content and facilitation of the conference in order to achieve the stated goals.
- Established a mentoring program for correctional officers new to the Department of Corrections at KCIW to train potential mentors in leadership, coaching, motivating and communicating.

New Employee Orientation

The Office for Employee and Organizational Development with assistance from subject matter experts in the Personnel Cabinet developed and implemented a new employee orientation program. The program was created to help new employees in the Personnel Cabinet be successful in their new jobs, establish open communication, calm anxiety and reduce confusion.

There are two phases of the new employee orientation program: Work Unit Orientation and Cabinet Orientation. The first cabinet orientation session was held on June 30, 2006 and feedback from the session was very positive.

To see the current schedule for new Performance Management skills training and other Office for Employee and Organizational Development 2006 training opportunities, visit the OEOD website training schedule at:

<http://personnel.ky.gov/oeod/empdev/register/456schedule.htm>

Accomplishments

**OFFICE FOR EMPLOYEE AND ORGANIZATIONAL DEVELOPMENT
TRAINING DATA:
JULY 1, 2005 – JUNE 30, 2006**

<i>Participant Information</i>		
Cabinet	Duplicated Totals (Counted Each Time They Attend)	Unduplicated Totals (Each Individual Only Counted One Time)
Commerce	437	369
Economic Development	9	3
Education	197	88
Environmental & Public Protection	313	133
Finance & Administration	225	80
General Government	294	157
Health & Family Services	318	175
Judicial Branch	1	1
Justice & Public Safety	254	88
Kentucky State University	2	1
Legislative Branch	2	2
Local Government	2	1
Personnel	177	92
Transportation	349	116
TOTAL	2580	1306
<i>Workshop Information</i>		
Regular Workshops (Including CMF and CPM)		126
Specials		26
Online		8
TOTAL		160
<i>KCPM Information</i>		
CMF Active		152
CMF Made Inactive		33
CMF Completed		153
Total CMF Participants		338
CPM Active		185
CPM Made Inactive		163
CPM Completed		73
Total CPM Participants		421
CMF Workshops		52
CPM Workshops		69
TOTAL		121

Accomplishments

Office of Human Resource Planning & Diversity Initiatives

On August 19, 2005, Governor Fletcher signed an executive order, which established the Office of Human Resource Planning and Diversity Initiatives. Since its inception the office acquired a staff of six employees and updated the state Affirmative Action Plan.

In 2005 the goals for minority employment were raised based on data from the 2000 U.S. Census from 7.51% to 10.00%. The goal for female employment remained the same at 52.42%. As of June 30, 2006, the percentage of minority employees for state government was 8.68%. The percentage for female employees for state government was 49.90%.

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

There are five cabinets that exceeded the goals for female employment: Education Cabinet, General Government, Cabinet for Economic Development, Cabinet for Health & Family Services and Personnel Cabinet.

During the fiscal year 2005-2006, The Office of Human Resource Planning and Diversity Initiatives has consulted with agency executives of six Cabinets with regard to assessing ways to meet the state Affirmative Action Plan goals and also maintain copies of agency Affirmative Action Plans.

This year's recruitment efforts included attendance at 12 career fairs and the collection of 220 resumes for the Diversity Resume Bank as well as community relationship building.

Other diversity initiatives for this fiscal year included:

- Developed a Diversity Resource Lab comprised of Train - the - Trainer training modules, training supplements (such as activities and handouts) and publications related to diversity and equal employment issues.
- Developed the *Scope of Diversity Newsletter*, a newsletter for state EEO coordinators and personnel executives including the publishing of two issues within the fiscal year.
- Created the EEO & Diversity web page on the Personnel Cabinet website for the purpose of disseminating EEO and Diversity policy information.

Accomplishments

- Coordinated and implemented the 9th Annual Diversity Day with fourteen schools (approximately 650 students) and 47 exhibitors in attendance with a 82.02% approval rating.
- Hosted a statewide EEO coordinator reception responsible for educating EEO coordinators on the updates set forth in the State Affirmative Action Plan.

Programs currently in the development stage include:

- The development of a centralized information/complaint tracking system and database for EEO Complaints.
- Program development and coordination of the 20th Annual Governor's EEO Conference scheduled for October 2006.
- The design and implementation of assessment tools to be utilized as a part of the Governor's Minority Management Training Program.
- Consulting with the Department of Personnel Administration executives in assessing the equal employment issues in terms of recruitment and the application process.

EQUAL EMPLOYMENT OPPORTUNITY DATA As of June 30, 2006

Statewide Minority Utilization Table						
EEO Job Category	Total Employees	Total Minority Employees	Minority % Goal	Current Minority %	UNDER UTILIZED	No. Minority Needed
OFFICIALS & ADMINISTRATORS	3067	211	10.00%	6.88	YES	95.7
PROFESSIONALS	16,244	1,424	10.00%	8.77	YES	200.4
TECHNICIANS	1,848	119	10.00%	6.44	YES	65.8
PROTECTIVE SERVICE WORKERS	3,402	261	10.00%	7.67	YES	79.2
PARA PROFESSIONALS	2,410	363	10.00%	15.06	NO	0
OFFICE & CLERICAL	2,414	168	10.00%	6.96	YES	73.4
CRAFTSMEN	2,553	153	10.00%	5.99	YES	102.3
SERVICE MAINTENANCE	2,142	258	10.00%	12.04	NO	0
OTHER	3	0	.%	0	NO	0
TOTAL	34,083	2,957		8.68		

Accomplishments

Statewide Female Utilization Table						
EEO Job Category	Total Employees	Total Female Employees	Female % Goal	Current Female %	UNDER UTILIZED	No. Female Needed
OFFICIALS & ADMINISTRATORS	3067	1,270	52.42%	41.41	YES	337.7
PROFESSIONALS	16,244	9,410	52.42%	57.93	NO	0
TECHNICIANS	1,848	701	52.42%	37.93	YES	267.7
PROTECTIVE SERVICE WORKERS	3,402	574	52.42%	16.87	YES	1209.3
PARA PROFESSIONALS	2,410	1,861	52.42%	77.22	NO	0
OFFICE & CLERICAL	2,414	2,043	52.42%	84.64	NO	0
CRAFTSMEN	2,553	161	52.42%	6.31	YES	1,177.3
SERVICE MAINTENANCE	2,142	986	52.42%	46.03	YES	136.8
OTHER	3	1	%.%	33.33	NO	0
TOTAL	34,083	17,007		49.90		

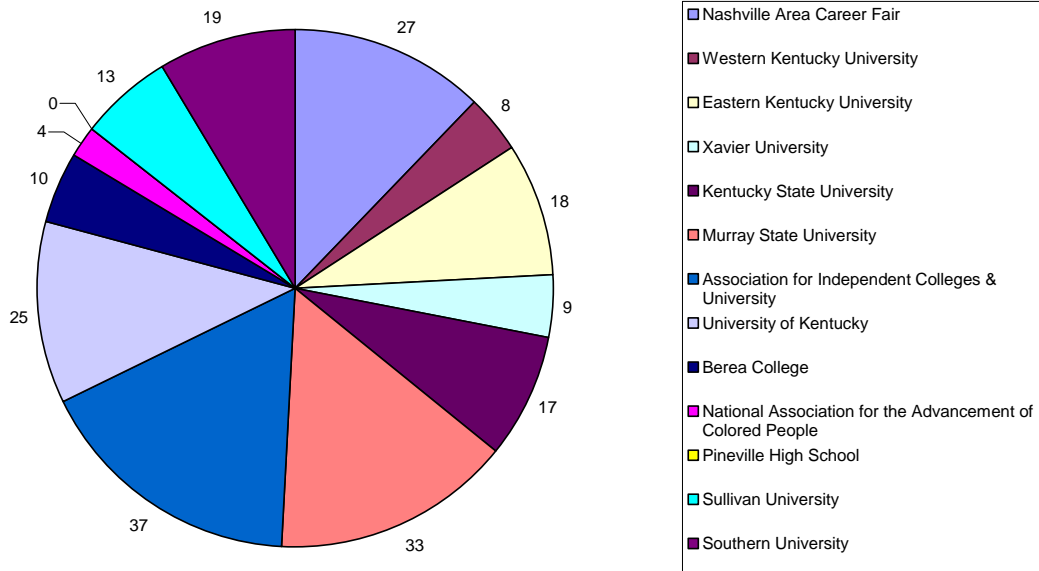
EQUAL EMPLOYMENT OPPORTUNITY DATA As of June 30, 2006

Personnel Cabinet Minority Utilization Table						
EEO Job Category	Total Employees	Total Minority Employees	Minority % Goal	Current Minority %	UNDER UTILIZED	No. Minority Needed
OFFICIALS & ADMINISTRATORS	35	4	10.00 %	11.43	NO	0
PROFESSIONALS	162	20	10.00 %	12.35	NO	0
TECHNICIANS	11	1	10.00 %	9.09	YES	0.1
PROTECTIVE SERVICE WORKERS	N/A	N/A	10.00 %	N/A	N/A	N/A
PARA PROFESSIONALS	7	0	10.00 %	0	YES	0.7
OFFICE & CLERICAL	12	3	10.00 %	25.0	NO	0
CRAFTSMEN	N/A	N/A	10.00 %	N/A	N/A	N/A
SERVICE MAINTENANCE	N/A	N/A	10.00 %	N/A	N/A	N/A
TOTAL	227	28		12.33		0.8

Accomplishments

Personnel Cabinet Female Utilization Table						
EEO Job Category	Total Employees	Total Female Employees	Female % Goal	Current Female %	UNDER UTILIZED	No. Female Needed
OFFICIALS & ADMINISTRATORS	35	24	52.42%	68.57	NO	0
PROFESSIONALS	162	123	52.42%	75.93	NO	0
TECHNICIANS	11	10	52.42%	90.91	NO	0
PROTECTIVE SERVICE WORKERS	N/A	N/A	52.42%	N/A	N/A	N/A
PARA PROFESSIONALS	7	7	52.42%	100	NO	0
OFFICE & CLERICAL	12	12	52.42%	100	NO	0
CRAFTSMEN	N/A	N/A	52.42%	N/A	N/A	N/A
SERVICE MAINTENANCE	N/A	N/A	52.42%	N/A	N/A	N/A
TOTAL	227	176		77.53		0

2005- 2006 Career Fair Resumes



Accomplishments

Office of Legal Services

During the fiscal year 2005-2006, the Office of Legal Services:

- Wrote approximately 46 opinion letters, memorandums or other personnel-related documents (not including case pleadings) and responded to numerous other questions and inquiries by email and phone calls.
- Reviewed, approved or consulted on approximately 722 disciplinary action letters including 508 suspensions, 148 dismissals for cause and 66 special leave investigations.
- Reviewed, consulted on and approved approximately 1,155 terminations.
- Reviewed and consulted with agency attorneys and administrators with respect to 632 appeals filed with the Personnel Board.
- Represented the Personnel Cabinet in 208 appeals filed with the Personnel Board.
- Processed 388 requests submitted under the Kentucky Open Records Act and notified agencies and employees in appropriate cases.
- Successfully argued an Open Records appeal before the Franklin Circuit Court regarding the level of access individuals have to CICS.
- Provided legal consultation for the KHRIS project.
- Assisted in the writing of a new Cabinet employee handbook and presented information regarding employment laws to new Cabinet employees at the first Cabinet-wide new employee orientation.

Office for Employee Relations

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

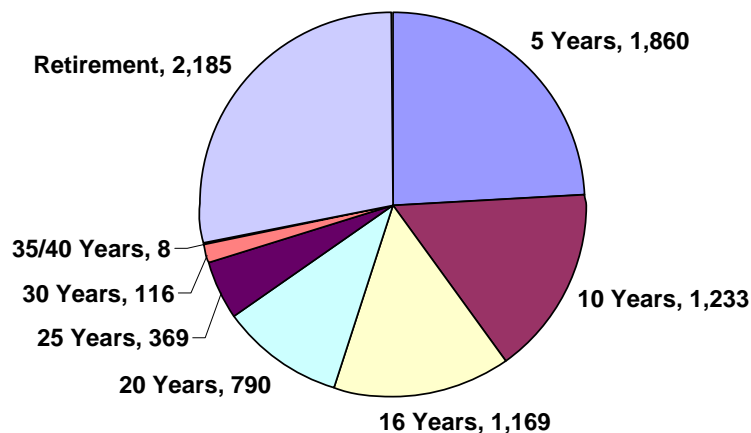
Accomplishments

Division of Employee Services and Recognition

Employee Recognition Branch

- The Personnel Answer Line, 1-866-PAL-LINE, was established in an effort to communicate the Personnel Cabinet's philosophy of openness. The staff makes every effort to answer questions concerning personnel issues for state employees and the general public. A total of 2,143 calls were answered during FY 2005-2006.
- Awards totaling \$22,745 were presented to 41 state employees through the Employee Suggestion System. These suggestions represented a first-year savings of \$407,804 for FY 2005-2006.
- Career service certificates for 16, 20 and 25 years of service plus every 5 years thereafter were presented to 2,452 employees. Service pins were also presented to 1,169 employees with 16 years of service. Recognition certificates were processed for 3,093 employees acknowledging their 5 and 10 years of service.
- Retirement certificates were presented to 2,185 employees.
- The total number of certificates presented to state government employees (career, recognition and retirement) during FY 2005-2006 total 7,730. The following chart shows the breakdown of the issued certificates.

EMPLOYEE RECOGNITION CERTIFICATES FY 2006



Accomplishments

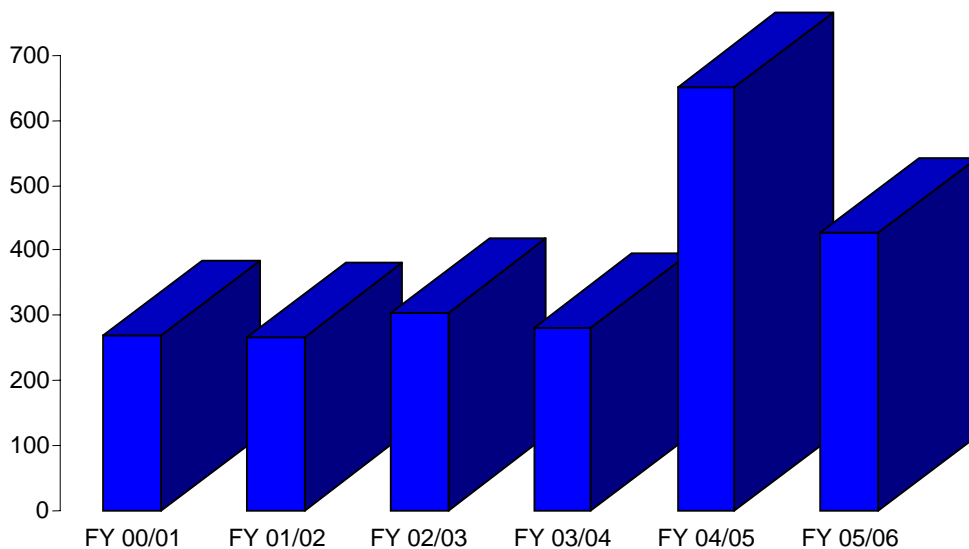
Employee Suggestion System

State government employees can now use a new internet-based system to submit suggestions on making state government more efficient, thanks to the new Employee Suggestion System Web site. The newly enhanced system puts Kentucky on top in recognizing and managing the ideas of employees. The form is simple, user-friendly, and fast. Employees receive immediate confirmation and are able to track their suggestions.

The Personnel Cabinet wanted to deliver a system that takes advantage of the best practices in the area of idea management. The concept of the traditional system was revolutionized to provide consistent submissions, approvals and notification.

Since launching the new on-line ESS system, January 28, 2005, the number of suggestions submitted has greatly increased. From January 28, 2005 through June 30, 2006 a total of 1,079 suggestions have been submitted by state employees. During Fiscal Year 2006 employees submitted 428 suggestions. The following chart shows the substantial increase in suggestions submitted each year since the creation of the new on-line system.

Suggestions Submitted Fiscal Years 2001 through 2006



Accomplishments

Workplace Relations Branch

The Kentucky Employee Mediation Program (KEMP) provides dispute resolution for Executive Branch employees. During the past fiscal year, there were 38 mediations involving employees and supervisors in eight cabinets. Twelve mediations were referrals from the Personnel Board.

Some of the mediated issues were suspensions, discrimination, harassment, communication problems, personality conflicts, being passed over for promotion, ADA and FMLA issues, and demotion.

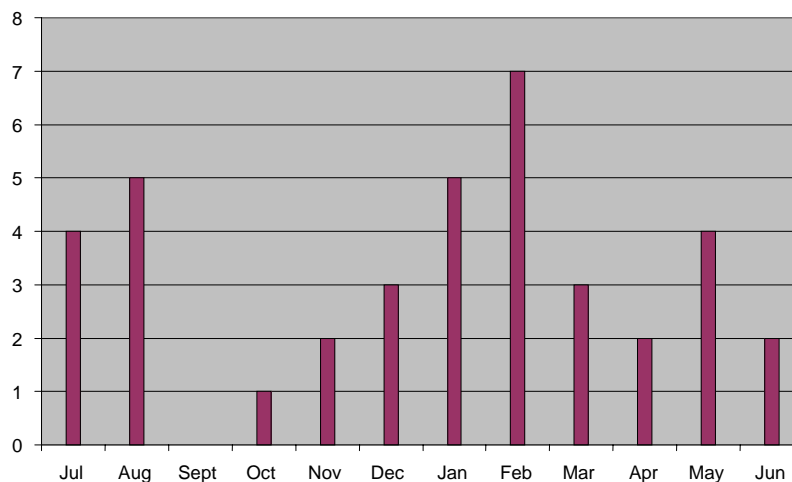
Five new mediators were trained, making a total of 17 part-time mediators. Volunteer mediators are state employees in various cabinets who have been given recommendations and approval to be trained to mediate for KEMP.

There were 643 contacts in the form of requests for mediation or for information. These were in person, by phone, and by email.

Presentations on mediation were given to 389 employees. These included the EEO Conference, management classes at OEOD, new employee orientation, and eight state agencies.

KEMP was the winner of the 2006 Eugene H. Rooney Award given by NASPE (National Association of State Personnel Executives). This is the first time a Kentucky program has won this prestigious award for innovation and outstanding achievement in state government.

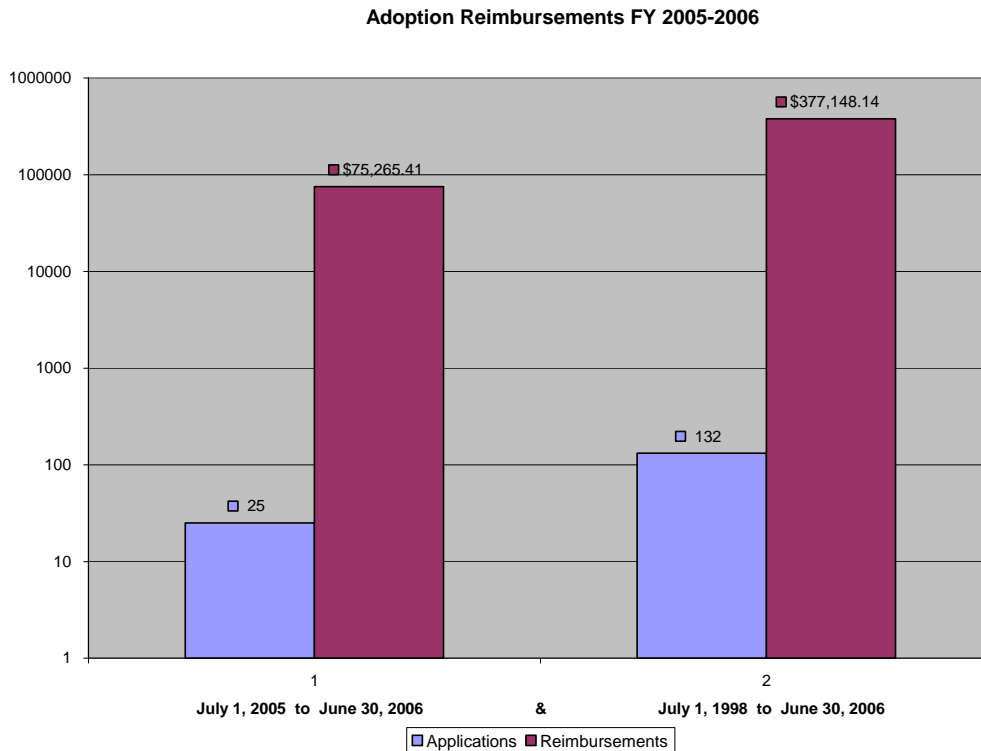
KEMP Mediations FY 05-06



Accomplishments

Adoption Benefits Program

The Adoption Benefits Program assists executive branch state employees with reimbursement of eligible expenses incurred in the adoption of a child. During FY 2005-2006, the division approved 25 applications, for reimbursement of expenses that totaled \$75,265.41. This brings the program to a total of 132 approvals, totaling \$377,148.14 since its inception.



Division of Employee Benefits

The Kentucky Safety Program

When Governor Fletcher signed the Executive Order in 2005 creating the Executive Safety Advisory Committee that is chaired by the Personnel Cabinet, it set in motion the planning, organizing, development and implementation of a formalized safety program for state government. Our mission is to develop a safe climate and culture that protects our employees and provides them a safe and healthy workplace.

The Executive Safety Advisory Committee (ESAC) is the communications backbone for the overall safety program. Representatives are from each cabinet and other various departments and divisions throughout state government. The

Accomplishments

Personnel Cabinet and its Office for Employee Relations serves as the resource center for all these groups. We have implemented several programs to achieve our mission. Two safety training programs: the First Fundamentals of Safety & Health which is directed to all supervisors and a second, Managing Your Safety & Health Program, designed for safety supervisors and those who manage the safety program are ongoing programs. During the past fiscal year, 28 Safety Fundamentals classes were held in twenty different locations across the Commonwealth resulting in 1,050 supervisors being trained. In addition, four Managing Your Safety Program classes were held and 65 safety officers and coordinators were trained.

Other significant safety accomplishments included:

- The creation of a web site for Safety, Workers' Compensation and Return to Work Programs with additional links to other safety resources.
- Developing a new state safety manual.
- Establishing a Personnel Cabinet safety committee.
- Initiating National Safety awareness Month for June where weekly safety communications were sent to cabinet employees.
- Assisting the Parks Department and the Transportation Cabinet in developing and conducting employee safety surveys.
- Utilizing our workers' compensation third-party administrator to generate monthly safety reports that are distributed to each cabinet and agency.
- Coordinating 6 blood drives with 649 units of blood donated by state employees.

Group Life Insurance Administration Branch

- The current Basic Insurance and AD&D rate per thousand is \$ 0.093.
- The Group Life Insurance Administration Branch provides all administrative services for the state sponsored life insurance contract including: maintaining the eligibility data base, enrollment processing, bill generation and payment processing, refunds, customer service, claims processing and distribution of materials.
- The Life Insurance contract was awarded to Prudential Financial Insurance effective July 1, 2005. The contract will be for two years expiring on June 30, 2007. At that time, we will have two one-year renewable options with Prudential. The basic rate was decreased from the previous contract rate of \$2.16 to \$1.86 per employee per month for the state paid life policy of \$20,000. An Accidental Death and Dismemberment policy for an additional \$20,000 is included at no cost to the employee.

Accomplishments

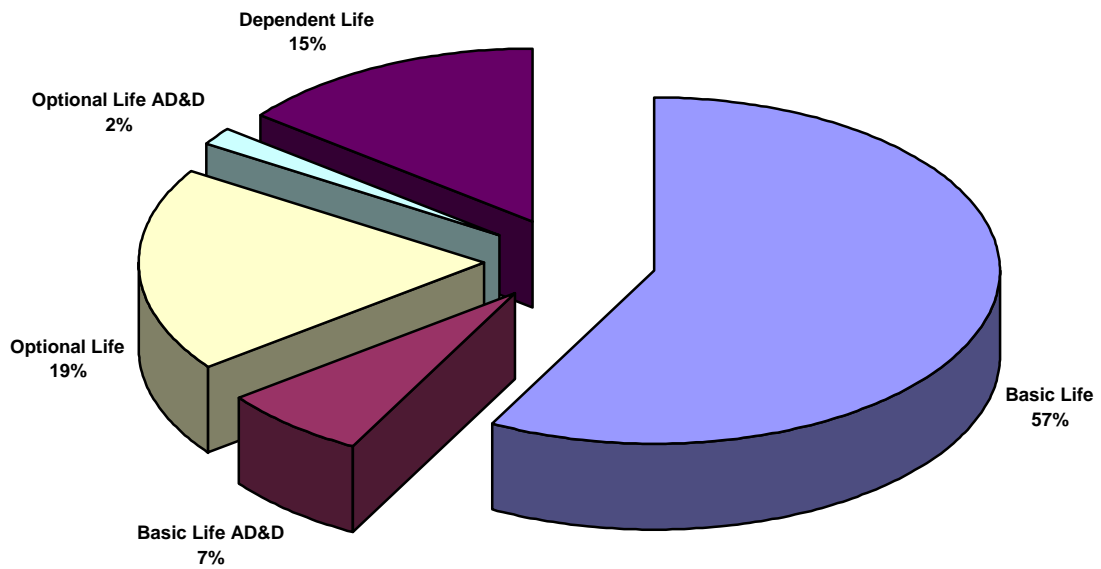
- An added benefit was included with the contract with Prudential at no cost to the Commonwealth. The Accelerated Benefit Option will allow for employees that are terminally ill with a life expectancy of 12 months or less to receive a partial payment of their benefit before they passed away.
- The Life Insurance Branch administers group life insurance for eligible employees at 426 locations.

✓ State Agency	152
✓ Board of Education(roster)	168
✓ Board of Education(individual)	15
✓ Health Department	56
✓ Quasi Agencies	35

- The Life Insurance Branch provides Basic Insurance and AD&D coverage for over 146,000 employees. The additional coverage includes about 22,000 optional policies and about 18,000 dependent plans.
- The Branch processed 226 claims paid by Prudential totaling \$5,063,500 in benefits being paid to beneficiaries.
- An open enrollment was held in September with the start of the new contract with Prudential. The open enrollment period was a huge success and increased the Life Insurance numbers by 11,226 additional optional plans and 6,856 additional plans for the dependent coverage. At this time, all employees were encouraged to complete a new Designation of Beneficiary form to update their personnel file and the life insurance database.

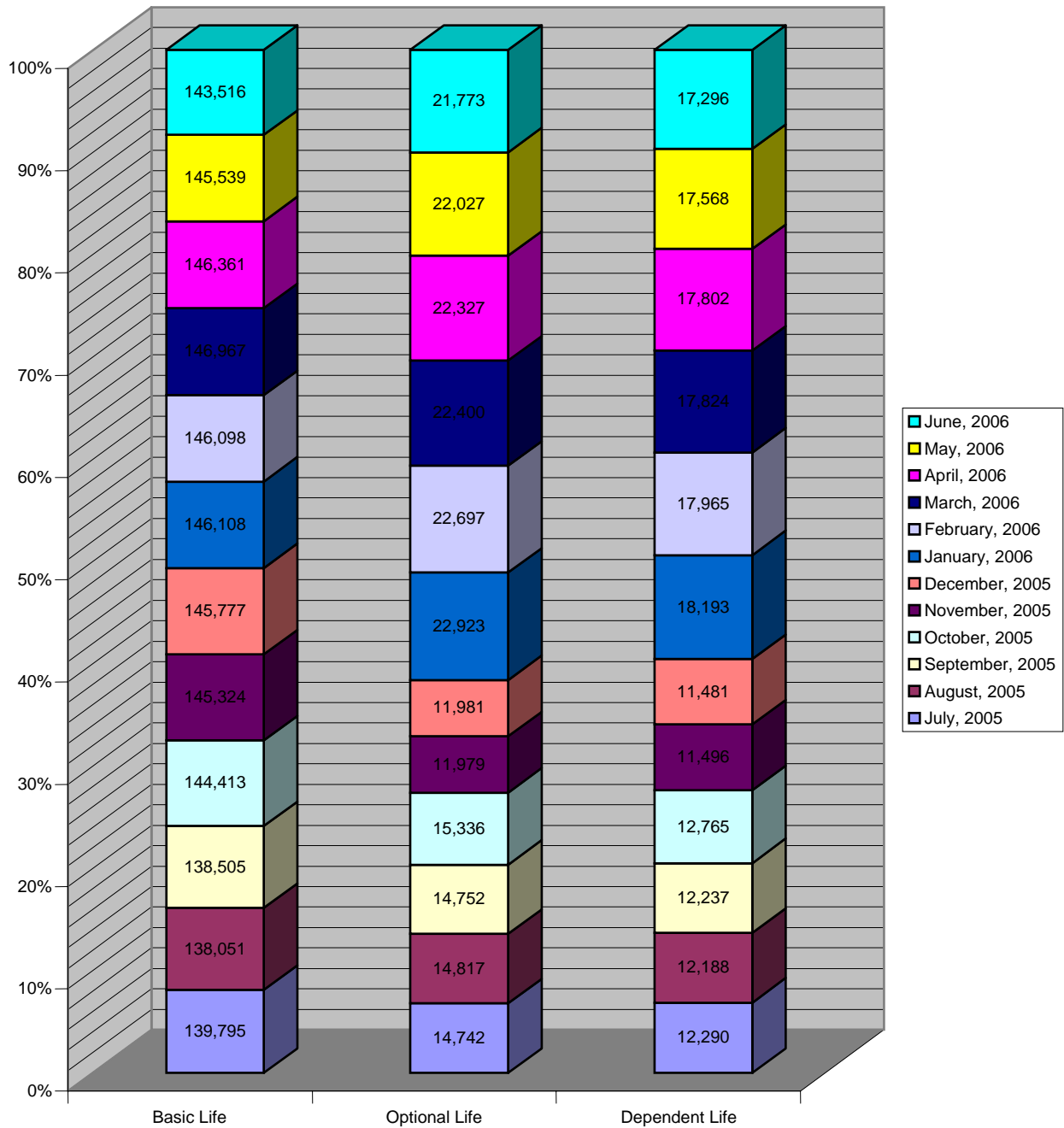
Accomplishments

PRUDENTIAL INSURANCE CLAIMS PAID JULY, 2005 THRU JUNE, 2006



Accomplishments

COVERED EMPLOYEES AND PLANS JULY, 2005 THRU JUNE, 2006



Accomplishments

Workers Compensation Branch

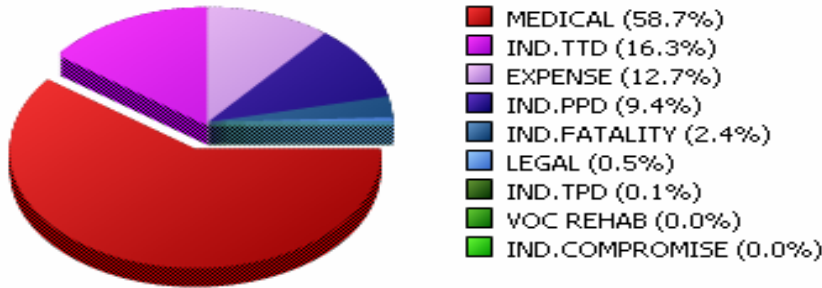
The Workers' Compensation Program is committed to improving the efficiency of the program and has implemented an internal computer imaging system to increase efficiency and to reduce the costs of the program. Procedure manual and forms are now available on our website to streamline workers' compensation reporting. During this fiscal year, we developed a secure website for the submission of 1st reports of injury. The program now has full access to workers' compensation claims online and is able to run reports in real time to analyze injuries and costs over time by cabinet. This allows us to develop specific safety and return to work programs and a long term strategy for reducing injuries. Managed care for medical benefits in workers' compensation was implemented October 1, 2005 for more efficient medical management and cost control. Information regarding participating facilities and physicians are available on our website. The program also implemented a pharmacy program which reduces the cost of medications and provides convenient access for injured employees. The Workers' Compensation Program has worked closely with the Safety Program and the Return-to-Work Program this fiscal year to prevent and reduce injuries.

Each cabinet now has a liaison within the workers' compensation program to provide one-on-one customer service. The liaisons advise each cabinet of the latest up-to-date news and/or changes concerning workers' compensation.

- The Workers' Compensation Branch has received and processed 5,675 First Report of Injuries for injuries occurring in FY 2005-2006.
- The branch continues to provide coverage for approximately 95,000 employees in all 120 counties throughout the Commonwealth.
- The branch provides coverage for approximately 30,000 volunteer ambulance and volunteer firefighters in 118 counties in the Commonwealth.
- The branch has received and processed 1,690 temporary total disability benefit checks.
- There has been \$147,504.35 in subrogation recoveries received during FY 2005-2006.
(These credits were deducted from the respective employer's premium charges.)
- Total number of claims set-up by this branch, to date, for FY 2005-2006 is 2,655.
- Record only files totaled 3,017 for FY 2005-2006.
- Approximately 114 claims went into litigation and were assigned to defense attorneys.

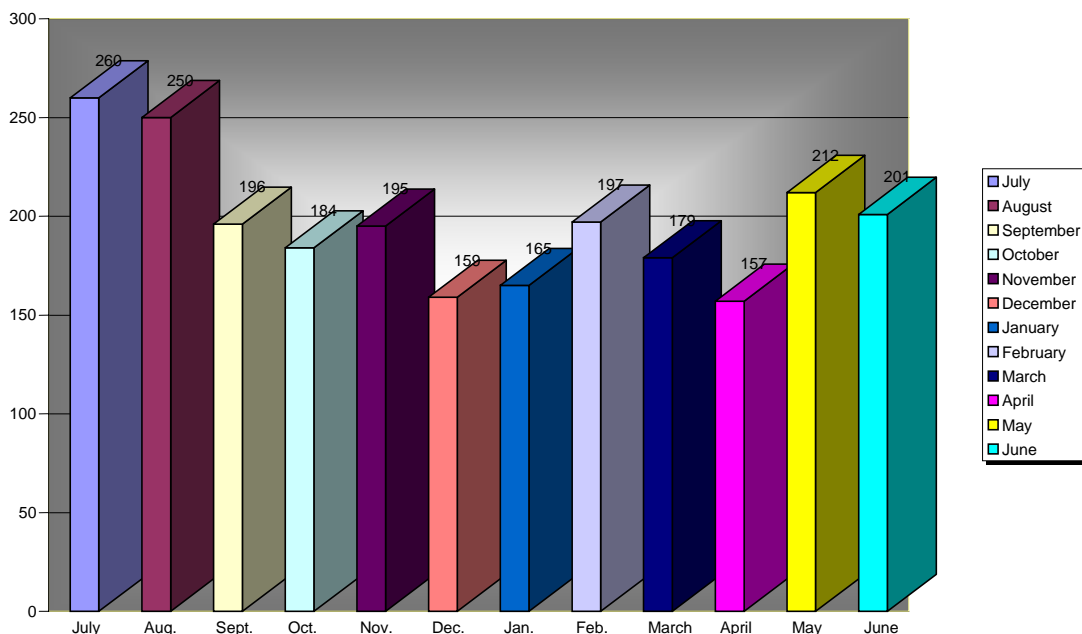
Accomplishments

FY 2005 – 2006



The Workers Compensation Program is responsible for paying the benefits for injured employees. The graph represents the breakdown by percentage of payments made. The Kentucky Workers' Comp – Safety – Return-To-Work (RTW) programs have the responsibility for the delivery of workers' compensation benefits, managing the state safety program and the RTW program for employees of the Commonwealth. During the past year, these programs have worked closely together to increase safety awareness and prevent accidents, increase the use of transitional/modified duty and to provide strategic, proactive workers' compensation claims management to reduce costs. The following graph represents a downward trend of injuries reported by month for 2005-2006; summer months are higher due to increases in the hiring of interim employees.

Reported WC Claims FY 05-06



Accomplishments

Return-to-Work Program

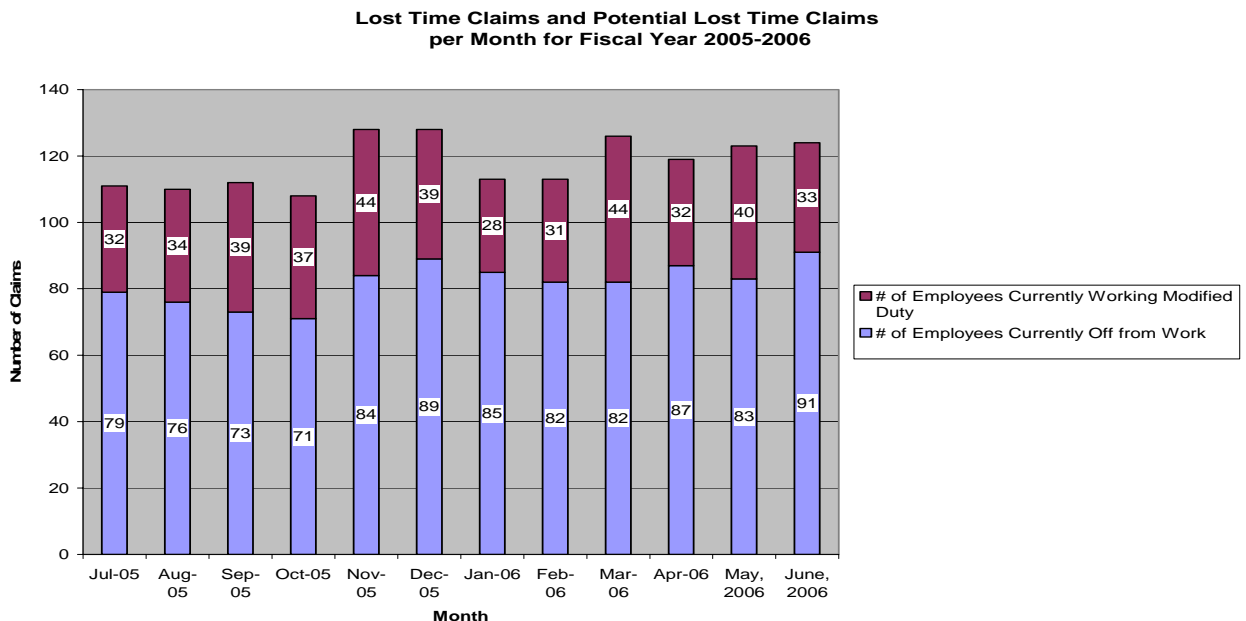
The Return-to-Work (RTW) Branch works directly with the Kentucky Safety Program and the Workers' Compensation Branch to increase the oversight of workers' compensation claims and to reduce costs.

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

Data for Fiscal Year 2005-2006 demonstrates the savings that a Return-to-Work Program can produce:

- Total Savings in temporary total disability benefits 7/1/2005-6/30/2006: \$549,072.92
- Number of employers who have participated in the Return-to-Work Program: 70
- Total Number of employees returning to full duty work 7/1/2005-6/30/2006: 593

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



Accomplishments

Kentucky Employee Assistance Branch (KEAP)

Client Totals

During the 2005-2006 year, (approximately 1% increase from 04-05) the Kentucky Employee Assistance Program provided direct employee assistance services to 1,091 state employees and/or their family members. In addition 2,592 collateral contacts were made.

Agency Utilization

The cabinets in which employees most utilized the services were the Cabinet for Health and Family Services (23%); Justice Cabinet (16%); Environment and Public Protection Cabinet (9%).

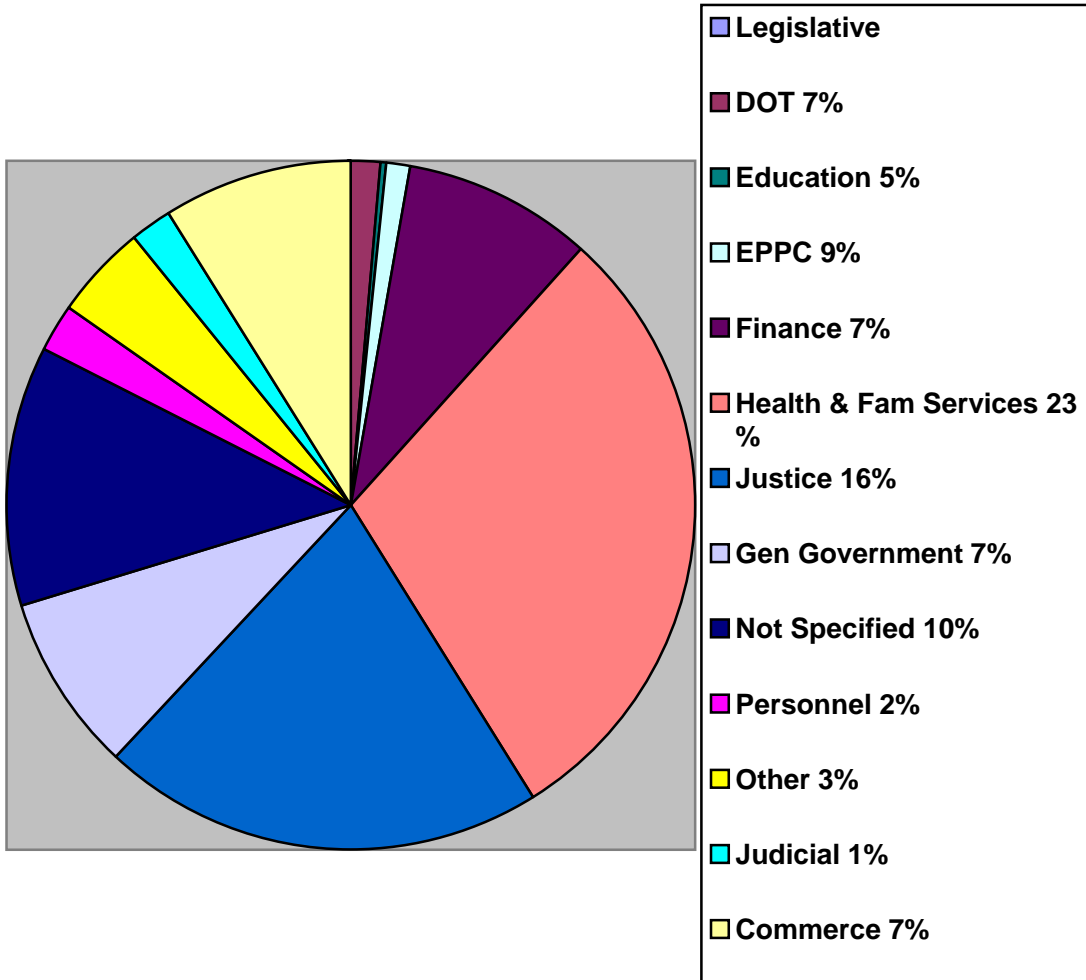
Main Presenting Issues

The issues most frequently presented include: mental/emotional health (28%); supervisory referrals (13%); and job stress (13%).

Indirect Contacts (Outside Meetings and Workshops)

KEAP staff was involved in many workshops and meetings that result in numerous indirect contacts. These contacts include monthly presentations at OEOD on how supervisors can use KEAP as a management tool. KEAP staff conducted workshops on various topics such as, *Life in the Balance*, *Stress Management*, *Money Management for State Government Employees*, *Anxiety Management*, *Eldercare* and *Mental Illness in the Workplace*. KEAP also offers Critical Incident Stress debriefings and Grief in the Workplace sessions.

Accomplishments



Accomplishments

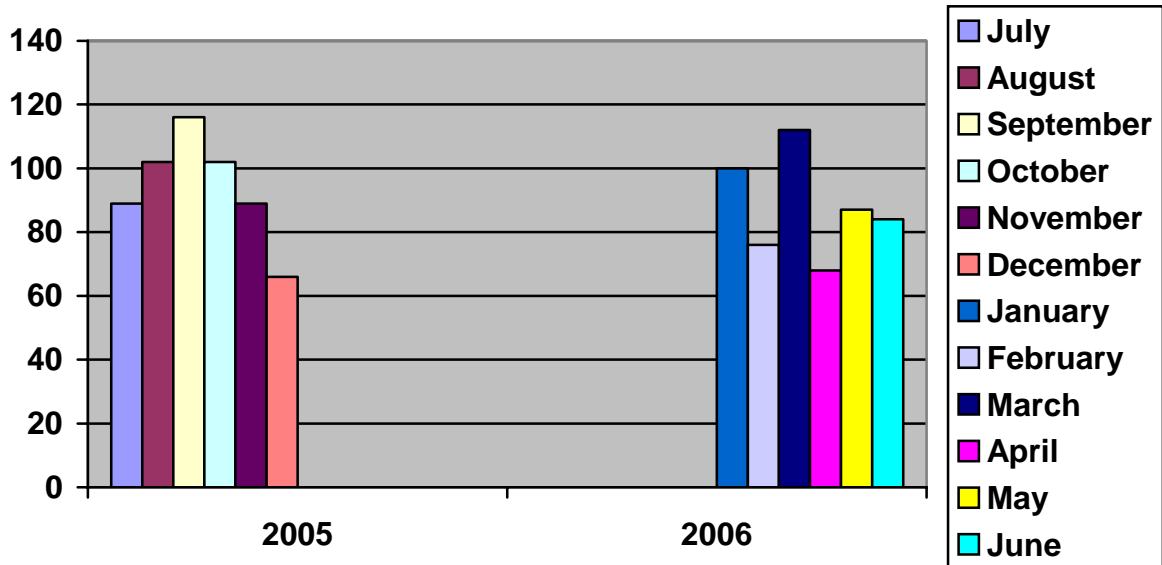
KEAP “New Client” Totals

2005

July	89
August	102
September	116
October	102
November	89
December	66

2006

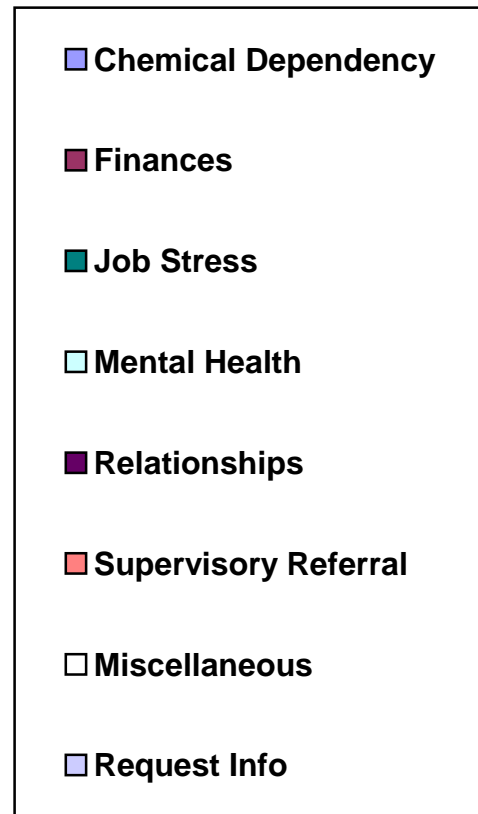
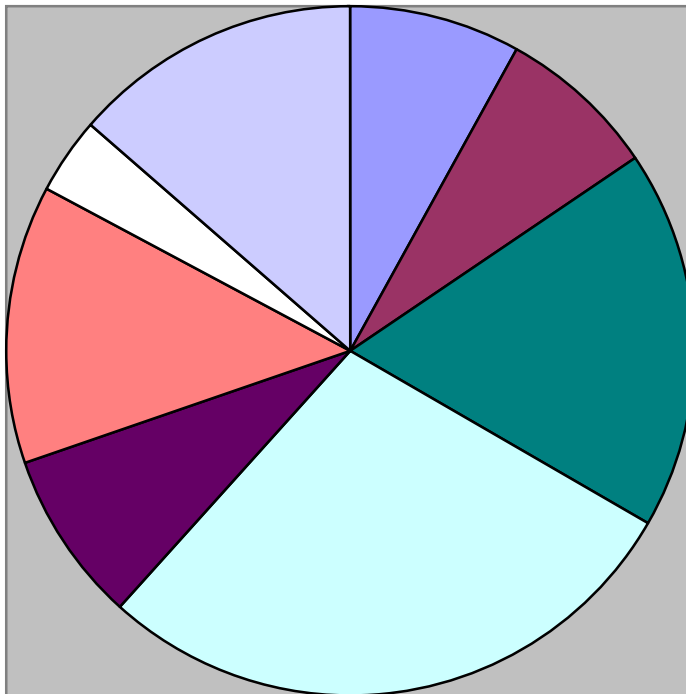
January	100
February	76
March	112
April	68
May	87
June	84



Accomplishments

Presenting Issues:

Chemical Dependency	08%
Finances	08%
Job Stress	18%
Mental Health	28%
Relationships	08%
Supervisory Referral	13%
Miscellaneous	03%
Requesting Information	14%



Accomplishments

Department for Employee Insurance (DEI)

The Department for Employee Insurance (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 approximately 235,000 health insurance participants and 35,000 waivers. There are also approximately 11,000 state employees with flexible spending account coverage.

The DEI has created a customer-focused organization, which provides an efficient, effective and responsive service to its members. Our web site has been expanded to include Legislative health insurance presentations; Kentucky Group Health Insurance Board and Employee Advisory Committee presentations; valuable information regarding wellness initiatives; and other pertinent health insurance information.

During Fiscal Year 2005-2006, the Department for Employee Insurance

- Implemented a statewide self-insured health insurance program for 2006. Two Third Party Administrator(s) were selected, Humana and Express Scripts. Humana provides administrative services for medical claim processing, disease management, wellness programs, flexible spending accounts and COBRA. Express Scripts provides pharmacy benefit management.
- Implemented a wellness program for state employees. A Smoking Cessation program was established, which provided coverage for Nicotine Replacement Therapy (NRT), along with two types of classes (Cooper Clayton and Quit Line). DEI worked with Humana and Express Scripts to develop a weight loss program, a walking program, educational materials (newsletters, brochures), etc. The American Cancer Society also partnered with DEI to pilot the Active for Life program.
- A Statewide Wellness Coalition was established to address the need for an employee wellness program. The mission of the Statewide Coalition is to promote healthier lifestyles through statewide partnerships and initiatives that will positively impact the mental and physical well being of the Commonwealth's workforce.
- Created a wellness website for all state employees, which focus on Physical Activity, Proper Nutrition, Stress Management and Smoking Cessation.

Accomplishments

- Created and implemented the Premium Billing and Reconciliation system that automates the generation of billing, payments processing and reconciliation of payment information. Under the self-insured environment, the Commonwealth is responsible for the billing, processing and reconciliation. We have continued adding modifications to the premium billing and reconciliation database in 2006 to improve efficiency.
- Created and implemented the Premium Billing and Reconciliation system that automates the generation of billing, payments processing and reconciliation of payment information. Under the self insured environment, the Commonwealth is responsible for the billing, processing and reconciliation. We have continued adding modifications to the premium billing and reconciliation database in 2006 to improve efficiency.
- Web based application was developed for 2006 Open Enrollment. The application created substantial cost savings by eliminating the need to hire temporary staff and reducing overtime. The Web application was expanded in March 2006 to allow individual employees to complete their own demographic changes, reducing staff time related to these activities.
- The web enrollment application received an award for “Best Application Serving a Public Organization” from Government Technology.
- The web enrollment application was also nominated for an award from the National Association of State Chief Information Officers.
- Currently upgrading the Web application to include enrollment features associated with a new High Deductible Health Plan Option to be offered to all enrollees during Open Enrollment scheduled for October 2006.
- Developed a High Deductible Health Plan (HDHP) with an associated Health Reimbursement Account (HRA) for the 2007 KEHP.
- Procured, with assistance from the Finance and Administration Cabinet, a health insurance contract for approximately 235,000 Commonwealth employees, retirees and their families for Plan Year 2006. This was a six month process, beginning with developing the Request for Proposal, soliciting bids from health insurance carriers, evaluating and scoring each bid, negotiating with carriers and ending with the signing of the contracts with the TPAs
- Coordinated and completed the processing of the health insurance applications for the approximately 180,000 members of the KEHP, along with their dependents.
- Processed approximately 11,000 Commonwealth Choice enrollment forms.

Accomplishments

- Provided support to Insurance Coordinators of School Boards, Local Health Departments, State Agencies, Kentucky Judicial Retirement System, Kentucky Legislative Retirement System, Kentucky Retirement Systems, Kentucky Teachers' Retirement System, Kentucky Community and Technical College Systems, as well as, numerous Quasi-Governmental Agencies participating in the Kentucky Employee Health Plan.
- Conducted training sessions throughout Kentucky for approximately 600 Health Insurance Coordinators on changes and updates to our health insurance program during Open Enrollment and spring training, as well as, on going training for new coordinators.
- Developed numerous wellness initiatives as referenced on page 3.
- Electronically transmitted daily transaction files and monthly synch files to participating health insurance carriers.
- Processed monthly discrepancy reports for the Commonwealth Choice Flexible Spending Account programs.
- Continued the billing and administration of the Commonwealth Choice program for those agencies that are not paid through the State Payroll System (UPPS).
- Continued the responsibility for resolution of issues with data transfer to/from insurance vendors and participating agencies.
- Conducted quarterly meetings with the Employee Advisory Committee for Health Insurance.
- Conducted monthly meetings with the Kentucky Group Health Insurance Board. Further, the Department for Employee Insurance assisted the Board with the preparation and distribution of its Annual Report to the Governor, General Assembly and Chief Justice of the Supreme Court.
- Implemented banking process to handle payment of incurred claims administration fees owed to TPA.
- Conducted an intensive assessment and mapping of the Group Health Insurance Eligibility Database and procedures currently utilized for the KEHP.
- Assisted with development of process flow and system specifications for the development of the new Kentucky Human Resources Information System (KHRIS).
- Developed a data warehouse of insurance program's data in conjunction with our Health Insurance Information Management System vendor, The MEDSTAT Group.
- Developed analysis of the health insurance program's performance using the above data warehouse.

Accomplishments

Department for Personnel Administration

The Department is proud of its achievements over the last fiscal year including the release of the Request for Proposal, (RFP) for the Kentucky Human Resource Information System, (KHRIS) and has established target goals over the next three years including:

- Replaced the current paper based employment application process with a web-based system.
- Replaced the current 20+-year-old Personnel/Payroll system with a state of the art, comprehensive Kentucky Human Resource Management System (KHRIS).
- Reengineered the processes to improve internal and external customer service.

Division of Employee Management

MARS Reporting Data Base (MRDB)

The Department worked with the Finance and Administration Cabinet to load historical personnel and payroll data from the last two fiscal years into MRDB and loads current data every pay cycle. This allows current and historical personnel and payroll information to be accessed directly by the agencies for workforce and budget planning. This process decreases the need for agencies to wait for information from the Personnel Cabinet and places it at their fingertips.

Processing and Records Branch

- Processed 110,745 personnel actions.
- Approximately 3,000 service records were received and completed from agency request.
- Approximately 2,000 requests were received for inspection of records.
- Actively involved in the KHRIS RFP process.

Payroll Branch

Kentucky Law Enforcement Foundation Program Fund (KLEFPF)

The Department worked with the Justice Cabinet to begin providing training incentive payments to state police and vehicle enforcement officers. This Fund was set up to reward those employees who utilize training to improve their skills. Local law enforcement officers have been receiving these incentives for years however it had not been available for state level officers. This program went into effect in January 2006.

Accomplishments

- Changed all Federal Tax Tables for calendar and mid-year.
- Made changes to Local Taxes to keep updated and current.
- Produced 55,461 + Wage and Tax Statements (W-2'.
- Actively involved in the KHRIS RFP process.
- Continue to redirect reports into the electronic Report Delivery System (RDS) and Document Direct, which eliminates the need for paper copies.
- Continued the streamlining and automation of batch job flows into Scheduler.
- Conducted Payroll Training Classes
- Actively involved in the eMARS project and training as it relates to Payroll.

Classification and Compensation Branch

Nature of Actions	2005/2006
Job Classes Revised	83
New Classes Established	34
Job Classes Abolished	125
Pay Grade Changes	37
New/Revised Special Entrance Rates	27
Class Title Changes	25
Title Code Number Changes	2

The following 7,299 actions were taken by the Classification and Compensation Branch:

Positions Established	3,613
Positions Reclassified	1,962
Positions Reallocated	1,724

This compares as follows:

- 10,267 actions in FY 2004 - 2005
- 8,184 actions in FY 2003 - 2004
- 10,185 actions in FY 2002 - 2003
- 10,708 actions in FY 2001 - 2002
- 23,270 actions in FY 2000 - 2001
- 23,849 actions in FY 1999 - 2000
- 26,618 actions in FY 1998 - 1999
- 20,791 actions in FY 1997 - 1998
- 18,608 actions in FY 1996 - 1997

Accomplishments

Division of Staffing Services

Number of Training and Experience Ratings.....	1,143
Applicants Interviewed.....	18,619
Mail Processed.....	45,463
Education Verifications.....	4,635
Registers Issued.....	7,065
Appointments from Register.....	3,239
Examinations Processed.....	30,140
Phone Calls.....	83,584
Background Checks.....	1,518

Systems Management Branch

- Completed conversion of Personnel web site to CMS web-based system.
- Participated in Personnel Cabinet Web Team created to begin flow of creativity in updating and improving the cabinet’s website.

Kentucky Public Employee’s Deferred Compensation Authority

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

To further emphasize the magnitude of the Kentucky program’s size, an article in Pensions & Investments magazine surveying the largest 1,000 public defined contributions plans ranked Kentucky deferred compensation as the 25th largest program in terms of total plan assets. In another Pension & Investments survey of the top 1,000 pension plans (including defined benefit as well as defined contribution – both public and private) the Kentucky deferred compensation program ranked 718th in the nation.

Accomplishments

During fiscal year 2005-2006, the Authority Board of Trustees:

- Elected to further reduce existing participant asset fees by approximately \$300,000. This decision resulted from an improving equity market as well as a reduction in participants' requests to transfer assets to the various retirement systems to purchase service credits. The Board has been unable in the previous 3 years to authorize a participant fee reduction. When implemented on July 1, 2006, the Board will have authorized fee reductions in 7 of the previous 10 years, resulting in recurring annual savings to participants of approximately \$3.4 million. The total accumulated annual savings has now reached approximately \$20 million.
- Reduced the Authority's FY 2006 record keeping costs by approximately \$100,000 due to the 'not to exceed' maximum fee provision previously negotiated with the record keeper. This provision was introduced into the record keeping contract July 1, 2000 and has resulted in total savings to the Authority and its participants of more than \$1.2 million.
- Received a favorable Private Letter Ruling response from the Internal Revenue Service (IRS), on the amended and restated 457 Plan document submitted to comply with final 457 Plan regulations. The Authority was among the first states to complete this process for their 457 Plan.
- Initiated a Request for Proposal (RFP) for a stable value discretionary manager for the Fixed Contract Fund which now has over \$400 million in assets. Mercer Investment Consulting will be conducting the RFP process for the Authority.
- Made significant progress in implementing its Retirement Readiness campaign designed to offer participants a single program through which they can consolidate, simplify and reduce the cost to administer their supplemental retirement savings needs. Toward this goal, the Authority effectively rolled out the Roth 401(k) option on July 1, 2006 and has received IRS approval for non-bank trustee status for the deemed IRAs. This will enable the Authority to proceed with another component of the Retirement Readiness campaign which is to implement the IRAs in 2007. Once the deemed IRAs are in place the Authority will begin work on establishing a 403(b) retirement plan for education employees.
- Revamped and expanded the Authority's communications program. One of the goals of these new communications efforts is asset retention. The Authority is aggressively working to reduce the rollover of assets to outside financial institutions. We have emphasized the Authority is your retirement program for life.

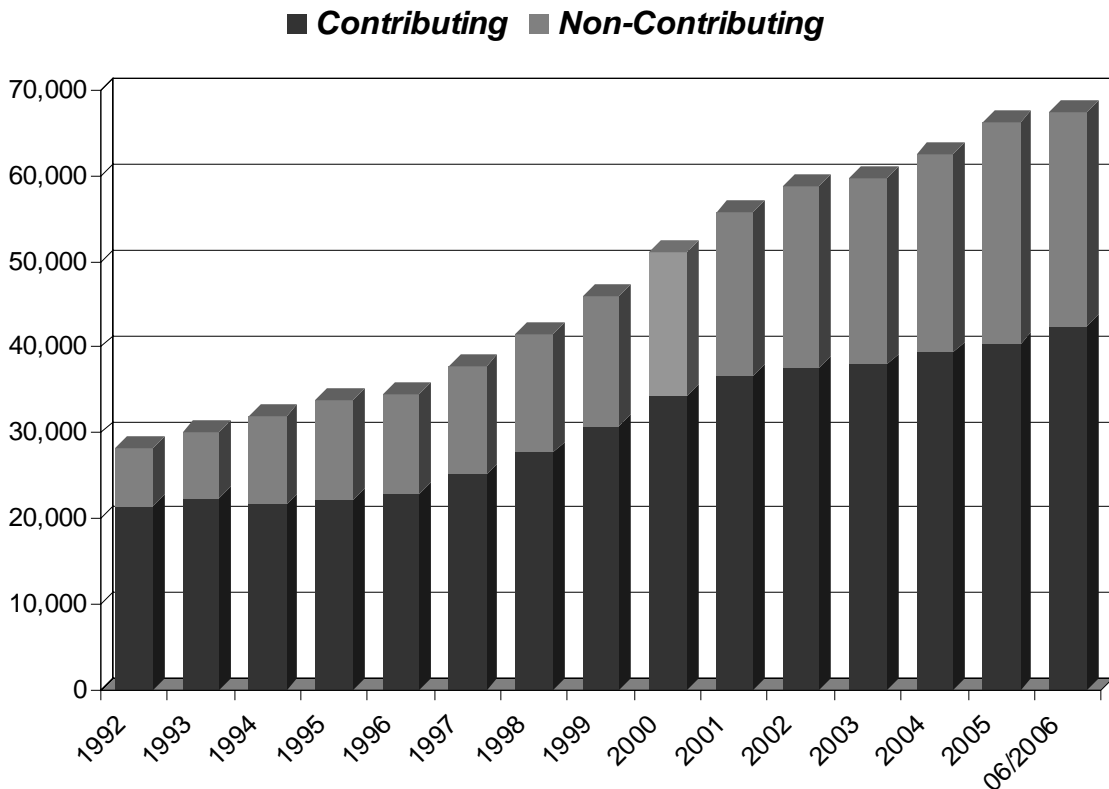
Accomplishments

In addition, the Authority has achieved yet another record-breaking year in terms of participation and plan assets. Assets as of June 30, 2006 were approximately \$152 million higher than at the end of fiscal year 2005.

The following graphs, charts and tables represent the combined results from the Authority's 457 and 401(k) supplemental retirement plans through June 30, 2006:

- *Participant Volume* – Graph 1 and the accompanying table substantiate the phenomenal growth rate the Authority continues to experience. The number of plan participants (with account balances) increased from 64,689 as of June 30, 2005 to 67,472 at June 30, 2006. This represents an increase of 2,783 participants or a 4.3% increase as of the 2006 fiscal year end.

**Total Participants by Year
(With Account Balances)
As of June 30, 2006**



Accomplishments

**Total Participants by Year
(With Account Balances)
1992 - 6/30/2006**

Year	Participants
6/30/1992	29,146
6/30/1993	30,188
6/30/1994	32,024
6/30/1995	33,781
6/30/1996	34,589
6/30/1997	37,330
6/30/1998	41,016
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	67,472

Accomplishments

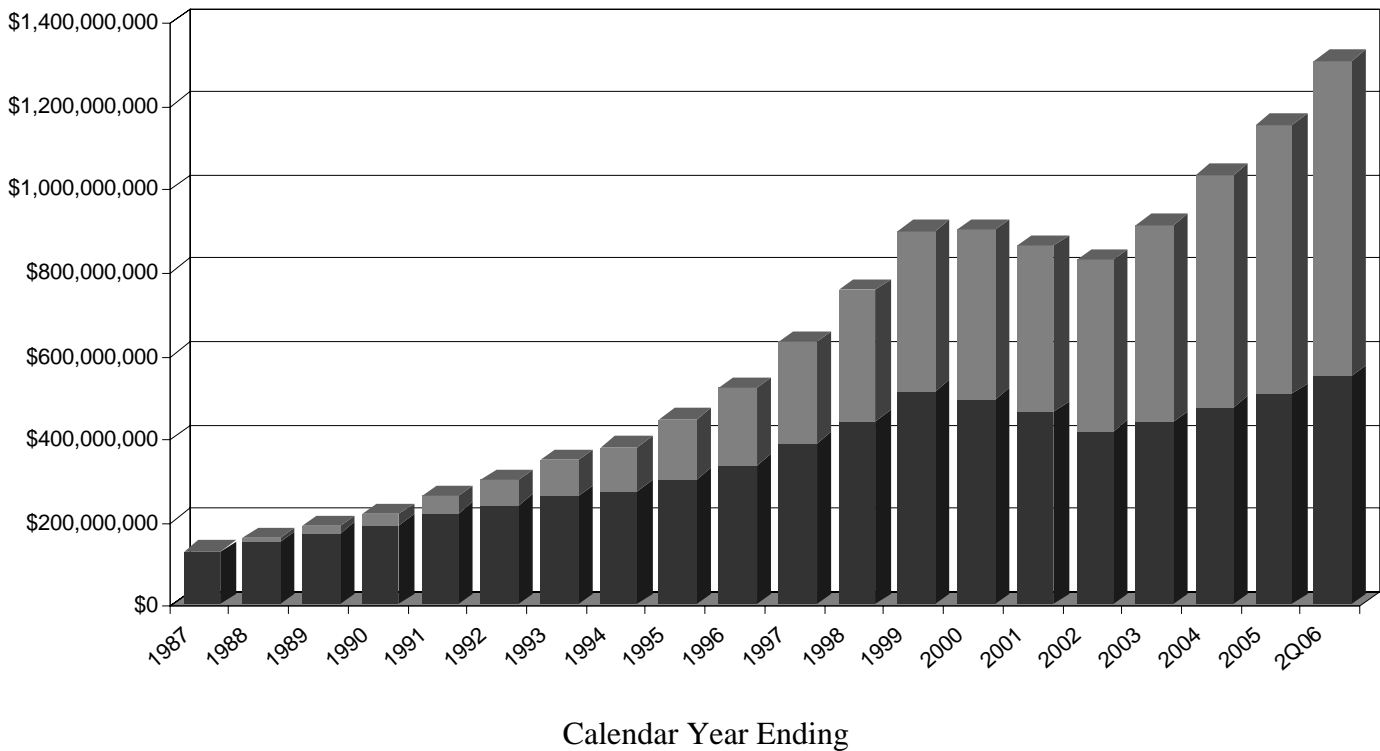
- Plan Assets* – Graph 2 and the accompanying table shows that 2005 plan assets, on a calendar year basis, were noticeably greater than for 2004 (2005 - \$1.249 billion vs. 2004 - \$1.118 billion). Assets, on a fiscal year basis, have also increased substantially from \$1.153 billion as of June 30, 2005 to \$1.305 billion on June 30, 2006, representing a \$152 million or approximately a 13.2% increase.

Asset Growth by Year (Excluding Life Insurance and Uninvested Receipts)

Calendar YTD Increase 4.51

Participant Accounts		Assets	
457 Plan	24,974	457 Plan	\$548,167,709.57
401(k)	50,693	401(k)	\$756,559,176.80

■ 457 (Plan I) ■ 401(k) (Plan II)



Accomplishments

Asset Growth by Year
(Excluding Life Insurance and Uninvested Receipts)

Year	Assets
12/31/1992	\$299,421,872
12/31/1993	\$345,628,472
12/31/1994	\$377,971,229
12/31/1995	\$445,688,072
12/31/1996	\$518,994,025
12/31/1997	\$631,499,204
12/31/1998	\$755,721,008
12/31/1999	\$897,692,891
12/31/2000	\$899,064,718
12/31/2001	\$892,252,657
12/31/2002	\$827,735,663
12/31/2003	\$1,002,971,334
12/31/2004	\$1,118,341,380
12/31/2005	\$1,248,596,528
6/30/2006	\$1,304,726,886

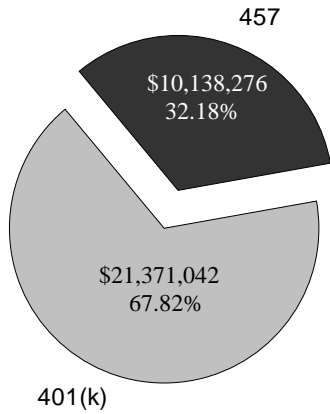
Accomplishments

- *Plan Trends* – Several important trends continued during fiscal year 2005-2006 within the deferred compensation program.

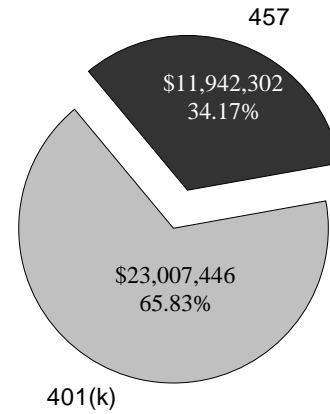
Investments – Graph 3 indicates for the 9th time in 10 years, quarterly participant investments have increased. Quarterly participant investments increased significantly from \$31.5 million as of June 30, 2005 to \$35.1 million as of June 30, 2006. This is an increase of \$3.6 million or approximately 11.4%.

Accomplishments

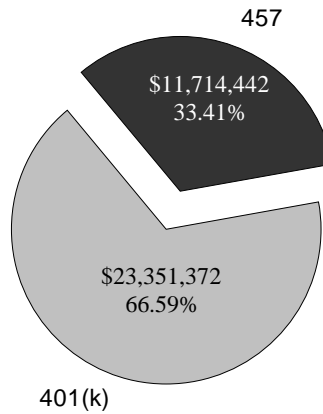
Deferral Investments by Quarter (Excluding Life Insurance and Uninvested Receipts)



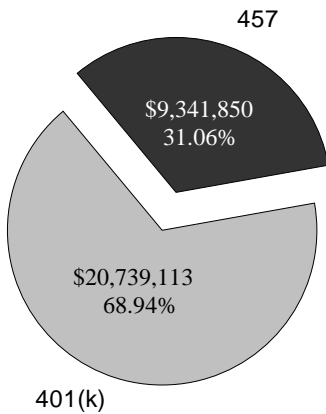
06/30/05



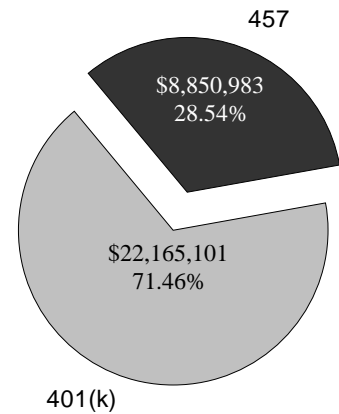
09/30/05



06/30/06



12/31/05

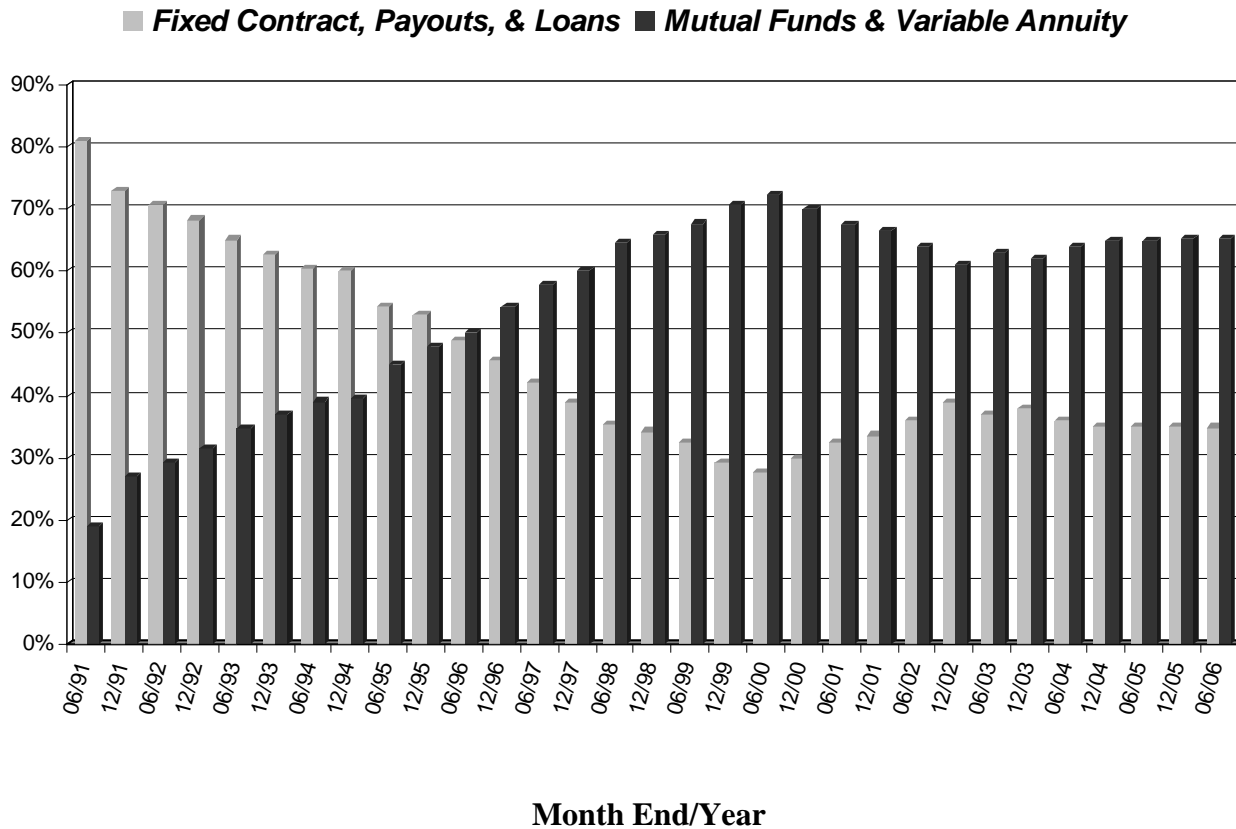


03/31/06

Accomplishments

- Plan Assets Allocation* – Graph 4 and the accompanying table demonstrates that for an 11th consecutive year, participants invested more into the mutual funds than into the Fixed Contract Fund (FCF). This is also the 10th consecutive year in which investments into the mutual funds were greater than into the FCF in ‘each’ quarter of the year. Graph 5 indicates the allocation of assets is now \$799.2 million (61.26%) in the stock mutual funds, \$64.2 million (4.92%) in the bond mutual funds/money market fund and \$421.9 million (32.33%) in the FCF. The remaining 1.49% or \$19.4 million represents insurance company benefit accounts and participant loans.

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



Accomplishments

Assets - Fixed and Variable Second Quarter 1999 to Second Quarter 2006

Year	Fixed	Variable
6/99	\$256,551,756	\$561,120,867
12/99	\$274,967,238	\$622,725,653
6/00	\$268,524,880	\$651,705,621
12/00	\$259,967,624	\$639,097,095
6/01	\$277,977,742	\$639,097,095
12/01	\$289,017,828	\$592,069,637
6/02	\$292,352,027	\$541,020,876
12/02	\$319,540,391	\$508,195,322
06/03	\$330,321,165	\$565,503,670
12/03	\$346,607,857	\$656,227,878
06/04	\$356,360,773	\$688,354,792
12/04	\$372,453,803	\$745,887,577
06/05	\$387,788,869	\$764,858,495
12/05	\$436,204,265	\$812,170,473
06/06	\$453,729,486	\$850,997,401

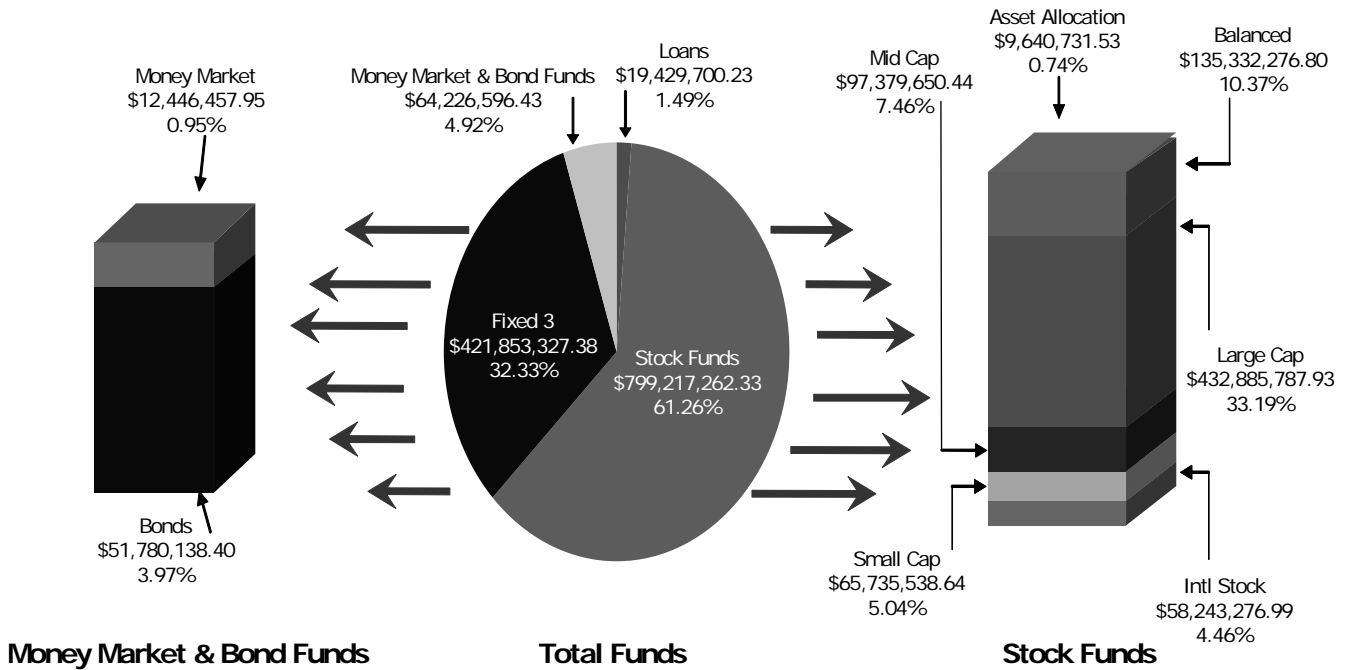
Accomplishments

Allocation of Plan Assets

(Excluding Life Insurance and Uninvested Receipts)

As of June 30, 2006

Fixed Contract & Loans	33.82%
Money Market and Bond Funds	4.92%
Stock Funds	61.26%

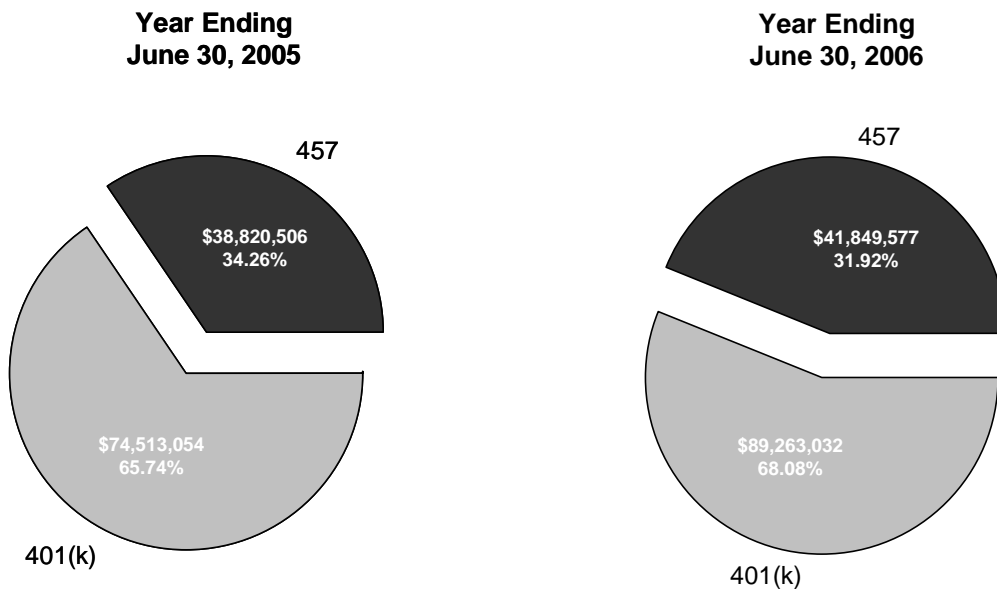


Accomplishments

- *Investments* – Graph 6 demonstrates annual investments increased substantially this fiscal year and totaled \$131.1 million compared to \$113.3 million at June 30, 2005, representing a \$17.8 million or 15.7% increase. The percentage of the investments into the 401(k) Plan versus the 457 Plan increased approximately 2.34% to approximately 68.08%. For the fiscal year ended June 30, 2006, the dollars invested in the 401(k) Plan exceeded those invested in the 457 Plan by nearly \$47.4 million. This disparity continues to increase primarily as a result of participants inability to purchase air time with the various retirement systems from the 457 Plan.

Annual Deferral Investments

(Excluding Life Insurance)



The Authority currently offers participants 27 investment options to which they can select. The investment spectrum ranges from (conservative – to – moderate – to – aggressive). This spectrum of investments consists of 21 mutual funds, 4 target life cycle funds, 1 money market fund and 1 stable value or fixed fund product.

Employee Facts

**NUMBER OF EMPLOYEES
(Excluding Interims)**

IN

**STATE GOVERNMENT
(as of June 30, 2006)**

Executive Branch.....	34,630
Legislative Branch.....	805
Judicial Branch.....	3,628

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

49.79% are female

8.50% are minority

Of the total permanent full-time and part-time employees in the Legislative Branch:

50.9% are female

4.0% are minority

Of the total permanent full-time and part-time employees in the Judicial Branch:

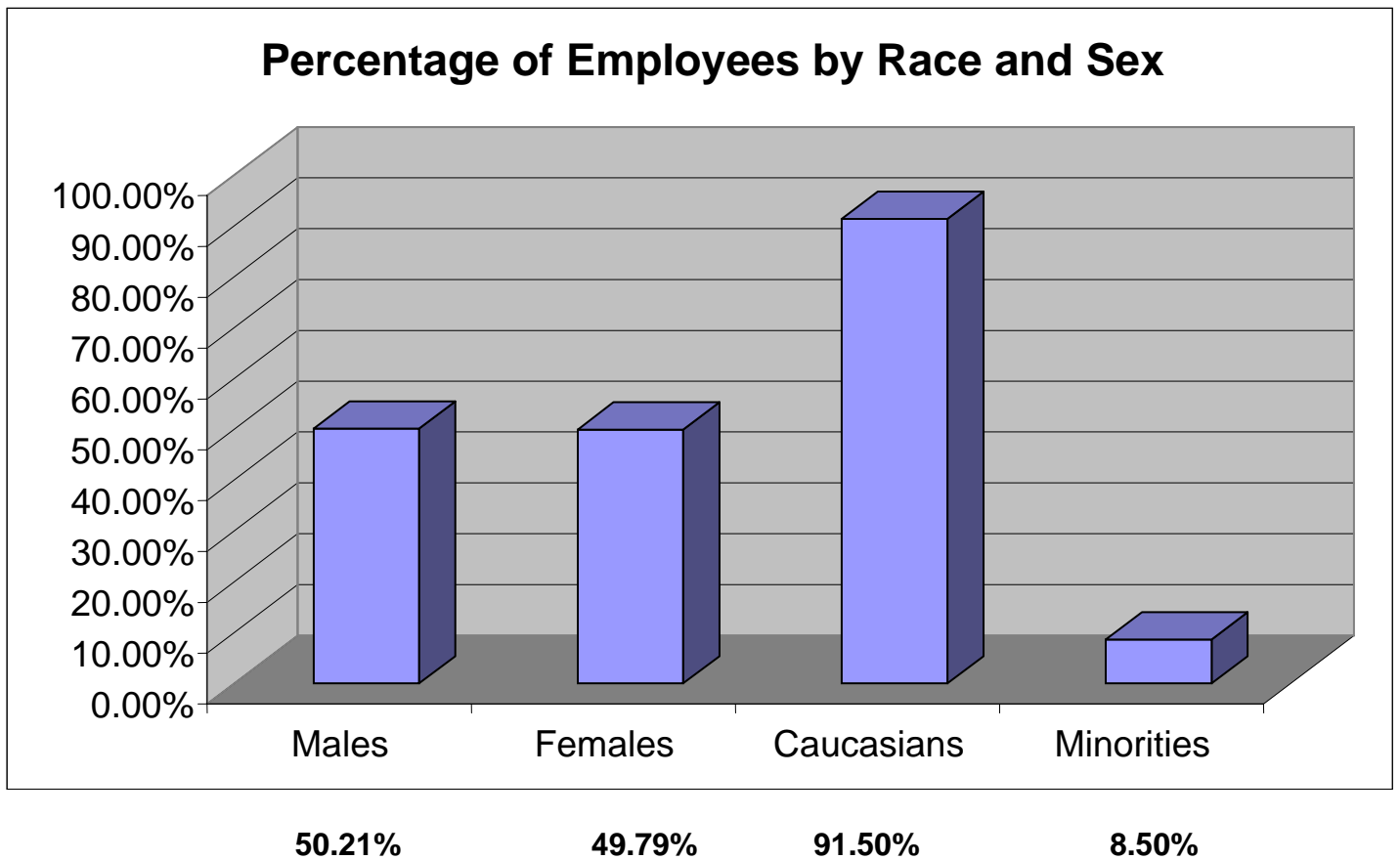
76.8% are female

02.0% are minority

45.78% are undeclared race

Employee Facts

**Percentage of Employment by Race and Sex
June 30, 2006**



Personnel Cabinet Expenditures 2005-2006 Fiscal Year

Organizational Unit	<i>Personnel & Contracts</i>		<i>Operating</i>		<i>Capital</i>	<i>TOTAL</i>
Secretary's Office						
Office of the Secretary	\$	2,121,181	\$	404,253	-	\$ 2,525,434
Deferred Compensation Authority	\$	4,901,342	\$	265,343	-	\$ 5,166,685
Employee & Organizational Development	\$	1,020,321	\$	252,289	-	\$ 1,272,610
Subtotal	\$	8,042,843	\$	921,886	-	\$ 8,964,729
Department of Employee Insurance						
Health Insurance Administration	\$	3,676,433	\$	1,407,056	-	\$ 5,083,490
Subtotal	\$	3,676,433	\$	1,407,056	-	\$ 5,083,490
Department for Employee Relations						
Executive Director's Office	\$	269,878	\$	48,374	-	\$ 318,252
Employee Services and Recognition	\$	537,755	\$	102,300	-	\$ 640,055
Life Insurance Administration	\$	325,882	\$	135,437	\$ 6,920	\$ 468,238
Workers' Compensation	\$	19,186,141	\$	1,613,763	\$ 16,146	\$20,816,049
Subtotal	\$	20,319,655	\$	1,899,873	\$ 23,065	\$22,242,594
Department for Personnel Administration						
Commissioner's Office	\$	944,066	\$	141,698	-	\$ 1,085,764
Employee Management	\$	1,526,782	\$	1,904,831	-	\$ 3,431,613
Staffing Services	\$	1,755,227	\$	456,188	\$ 31,493	\$ 2,242,909
HR Projects	\$	445,010	\$	181,487	-	\$ 626,497
Subtotal	\$	4,671,086	\$	2,684,204	\$ 31,493	\$ 7,386,782
Capital Construction						
KHRIS	\$	556,180	\$	-	-	\$ 556,180
On-Line Health Insurance Enrollment	\$	352,300	\$	-	-	\$ 352,300
Subtotal	\$	908,480	\$	-	-	\$ 908,480
TOTAL	\$	37,618,498	\$	6,913,019	\$ 54,558	\$44,586,075