



## Annual Report

Fiscal Year 2014 - 2015

---

Secretary Timothy Longmeyer

501 High Street, Frankfort, KY 40601

T: 502-564-7430 W: <http://personnel.ky.gov>

---

## CONTENTS

---

Message from Secretary Longmeyer	4
Personnel Cabinet Organizational Structure	6
Office of the Secretary	7
Who we are	7
Our Mission	7
Our Vision	7
Our Values	7
Center for Strategic Innovation	8
Who we are	8
Program Spotlight	8
Accomplishments	9
Governmental Services Center	11
Who we are	11
Program Spotlight	11
Accomplishments	12
Office of Administrative Services	13
Who we are	13
Program Spotlight	13
Accomplishments	13
Office of Diversity and Equality	17
Who we are	17

---

---

Program Spotlight	17
<b>Office of Employee Relations</b>	<b>24</b>
<hr/>	
Who we are	24
Accomplishments	24
Program Spotlight	25
<b>Office of Legal Services</b>	<b>36</b>
<hr/>	
Who we are	36
Accomplishments	36
<b>Department of Human Resources Administration</b>	<b>40</b>
<hr/>	
Who we are	40
Program Spotlight	40
Accomplishments	40
<b>Department of Employee Insurance</b>	<b>48</b>
<hr/>	
Who we are	48
Program Spotlight	50
Accomplishments	51
<b>Kentucky Public Employees' Deferred Compensation Authority</b>	<b>57</b>
<hr/>	
Who we are	57
<b>Employee Statistics</b>	<b>62</b>
<hr/>	

---

## Message from Secretary Longmeyer

The Just three years ago, about 10 percent of Kentucky public employees were participating in wellness programs – a stark contrast from today’s 90 percent rate.

Under Governor Steve Beshear’s leadership, the Commonwealth has made Kentuckians’ health a top priority. As the state’s largest employer and self-insured health plan, we are proud to report significant gains in wellness and preventive care participation in 2015.

Since the launch of Kentucky Employees’ Health Plan’s (KEHP) wellness platform, HumanaVitality™, and the LivingWell program in 2012, wellness participation has jumped 675 percent. Nearly 158,000 members completed an annual health assessment or biometric screening this year. More than 132,000 members are enrolled in a health plan tied to wellness.



The number of plan members using a pedometer or other fitness-tracking device has increased from around 6,000 to nearly 17,000. HumanaVitality is also awarding almost 28,000 members top program rewards annually. Rewards such as hotel stays, Apple™ products and gift cards are easy for members to obtain when they reach silver, gold and platinum status levels in the program.

Ten major diagnostic conditions, including diabetes, heart failure, COPD, obesity, and chronic back and neck pain account for almost 80 percent of all claim costs.

This year, after a successful pilot phase, the plan became one of the first in the country to offer the national Diabetes Prevention Program to nearly 85,000 members who are considered at-risk of developing the disease. By the end of the year, nearly 300 KEHP members will have participated in the program.

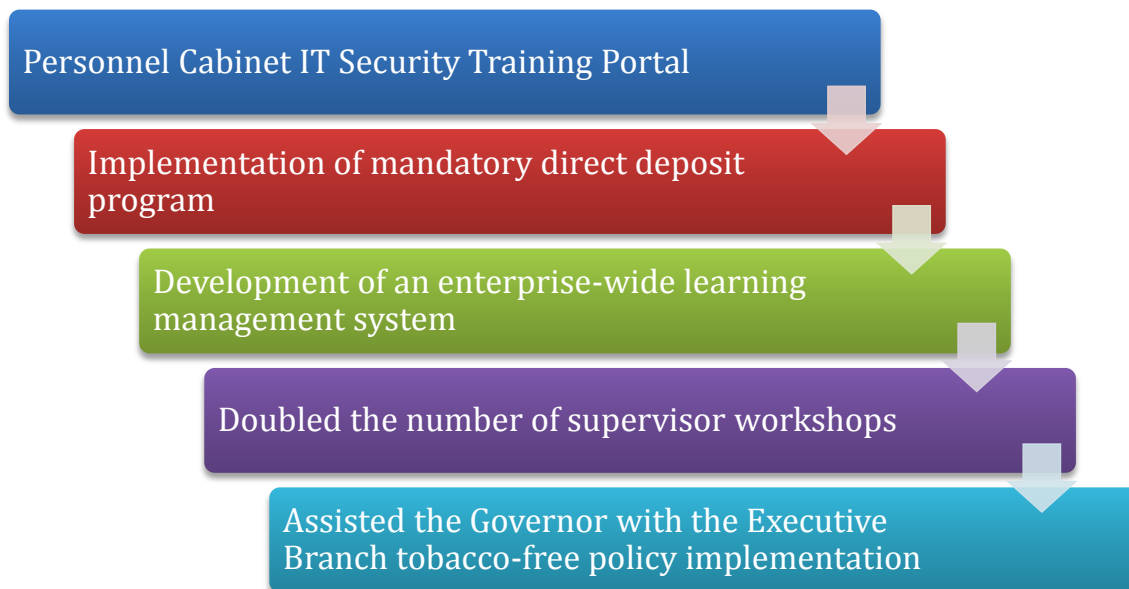
We have also worked closely with Gov. Beshear’s [kyhealthnow](#) initiative to promote the executive branch tobacco-free policy and cessation resources. From June 2013 through June 2015, the number of plan tobacco users in the executive branch decreased by 16 percent. The decline resulted in a nearly 11 percent reduction in related claim costs.

In February 2014, Gov. Steve Beshear launched the kyhealthnow initiative, which established seven major health improvement goals for Kentucky. kyhealthnow targets seven major health goals to be met by 2019, focusing on increasing health insurance coverage; reducing the smoking rate and tobacco use; lowering the

prevalence of obesity; lowering cancer deaths; reducing cardiovascular disease; treating and reducing dental decay; and reducing drug overdoses and mental health issues in Kentucky.

In the first year of the kyhealthnow initiative, more Kentuckians have health insurance, are covered by smoke-free policy, can access physical activity resources, seek care for heart disease and cancer prevention, and get dental services, according to the program's inaugural annual report. In fact, the 2015 preliminary annual report cites measurable improvements in six of the seven major goals.

In addition to our continued focus on health and wellness, the Personnel Cabinet has made significant strides in providing Human Resources services. In 2015 alone the cabinet has rolled out several new offerings for state employees and health plan members. New 2015 services, programs, and policies highlights include:

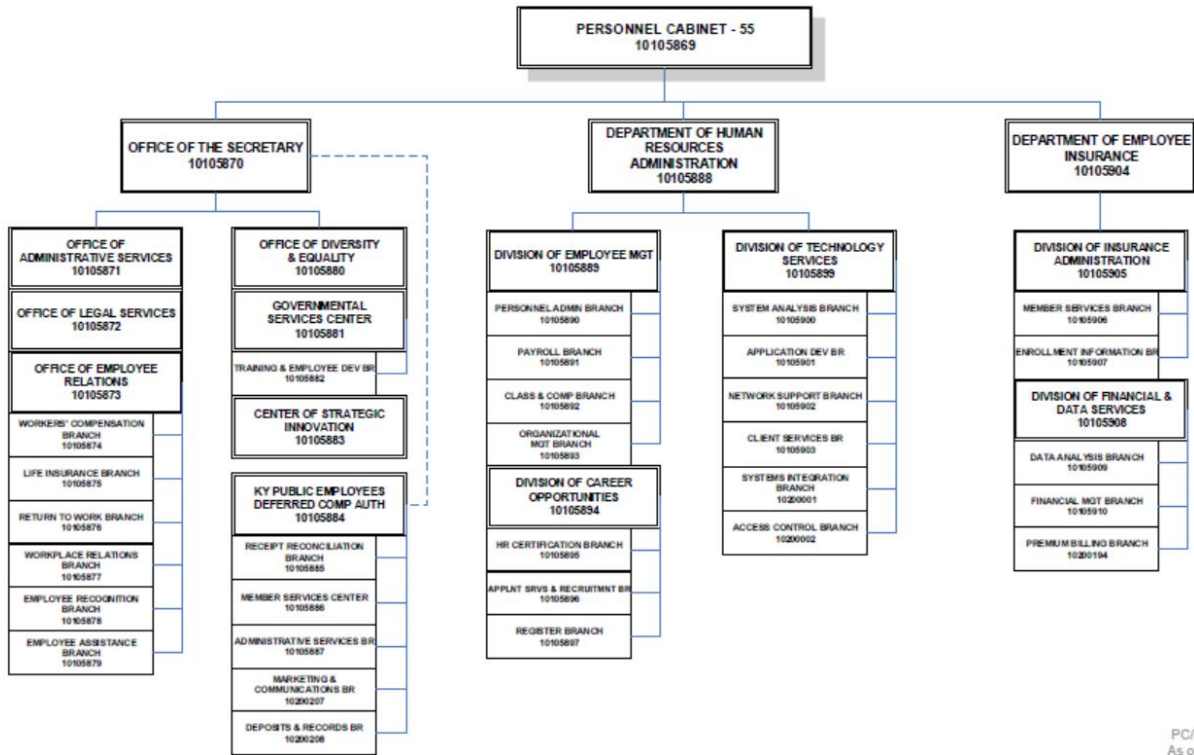


In 2015, Personnel cabinet staff's efforts to promote wellness and provide excellent benefits and services to employees across the Commonwealth have been incredible.

Sincerely,

Secretary Tim Longmeyer  
Personnel Cabinet

# Personnel Cabinet Organizational Structure



PC/DHRA/DEM  
As of 07/31/2015

---

## Office of the Secretary

---

### Who we are

---

The Cabinet motto is *“Serving the People Who Serve the People”*. The Office of the Secretary provides executive policy and management support to the departments, offices and divisions of the Cabinet, promulgates administrative regulations, advises the Personnel Board on matters pertaining to the classified service, conducts investigations on all matters relating to personnel laws and rules, prepares budget estimates for support of the personnel system, provides personnel services to unclassified employees according to agency agreements, and provides for such other services as are enumerated in KRS 18A.030. The Office of the Secretary consists of several offices which help to ensure the cabinet’s duties are met, including: the Center for Strategic Innovation, Governmental Services Center, Kentucky Public Employees Deferred Compensation Authority, Office of Administrative Services, Office of Diversity and Equality, Office of Employee Relations, and Office of Legal Services.

---

### Our Mission

---

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

---

### Our Vision

---

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

---

### Our Values

---

**Integrity** - We believe in adherence to the highest standards of conduct and the conviction to do what is legally and morally right.

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

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

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

---

---

## Center for Strategic Innovation

---

### Who we are

---

KRS 18A.025 (3) (a) and (4) grants the Personnel Cabinet Office of the Secretary the responsibility for communication with state employees about personnel and other relevant issues, and provides for the development and implementation of policy within the Cabinet.

The Center for Strategic Innovation (CSI) works with each department in the Cabinet to administer communications and marketing strategies for 33,000 state employees and more than 265,000 self-funded health insurance plan members and dependents. Communication duties include, but are not limited to, development of communication calendars and planning documents for most all major Cabinet events, policy announcements, press releases, media open record requests, and ongoing employee and health plan member notices. CSI manages the Cabinet's websites, social media accounts, and responds to constituent services requests for information. CSI also assists the Secretary with multiple communications throughout the year including: personnel memos, speeches, scheduling requests, award nominations, presentations, and public meeting attendance. CSI also oversees the Cabinet's policy and procedures for handling information requests, social media, and IT crisis communications.

CSI coordinates the Cabinet's successful legislative efforts, serves as the Cabinet's legislative liaison, and provides annual bill review system training and bill tracking duties on behalf of the Cabinet. CSI is also responsible for working across the Cabinet to assist with the development of many innovative new programs that enhance the Cabinet's HR services.

---

### Program Spotlight

---

The Employee Discount Program, launch in 2014, continues to flourish and give an incentive to state employees to save money on the things they want and need. CSI continues to add new vendors to enhance the appeal. Employees can choose from electronics, health and wellness, retail, travel and entertainment or education discounts. There is no limit to the number of discounts used in a calendar year. With more than eighty vendors listed, and access to thousands of dollars in potential savings, this benefit has proven to be a rich discount program for state employees.

CSI was an integral partner in the iSTEP portal development and communications plan for all Personnel Cabinet staff. Staff worked with the Division of Technology Services and Department of Human Resources Administration to develop and implement the iSTEP training platform. iSTEP educates employees on IT security policies and ensures they know how to respond in the event of a data breach. This training is critical for the protection of confidential information.. We will continue to be a trusted and valuable resource with this and many other programs in place to protect our citizens and employees.

---



---

## Accomplishments

---

### Center for Strategic Innovation

#### ▲ Kentucky Association of Government Communicators (KAGC) Awards

The Center for Strategic Innovation was nominated for several awards. The following is a list of winning publications and programs.

Award of Merit: Newsletter: KY Employee Connection

Award of Merit: Benefits Selection Guide

Award of Merit: Innovations: Employee Discount Program

#### ▲ Public Information Services

In 2015, CSI provided over 200 public information services on behalf of the Cabinet and Cabinet Secretary, including press releases, letters, speeches, employee newsletters and emails, health plan member emails, and media responses. CSI emails support initiatives across the Cabinet, ranging from wellness to deferred compensation and open enrollment for employee health insurance. CSI continues to develop communication tools to provide employees with the information they need to participate in Cabinet-offered health and wellness programs including: the HumanaVitality® program, the 15-day Dash step challenge, the Diabetes Prevention Program, First Onsite Clinics, the LivingWell program, the LivingWell Promise tour, LiveHealth Online, and Vitals SmartShopper. The Cabinet's monthly newsletter for Executive Branch employees is also sent via email. CSI made more than 2.5 million contacts annually with Cabinet customers.

#### ▲ Media Record Request and Inquiries Response

CSI works with the Office of Legal Services to fill and respond to each media related open records request. CSI also coordinates all the Cabinet's official media request for information and media response polices.

#### ▲ Website Governance

CSI oversees each of the Cabinet's websites and their governance and maintenance. Personnel websites receive nearly 5 million hits each year. CSI trains and meets regularly with the website's author team to ensure website reliability and accuracy.

#### ▲ Expansion of Communication Tools

In addition to the website and the Personnel Cabinet's mass email system, CSI also seeks new and innovative ways to communicate with employees and health plan members. Notably in 2015, CSI conducted several months of market research, and gathered customer feedback from 10 percent of the Cabinet's constituency, in preparation for launching an official presence on facebook.com. In September the Cabinet's page launched, and in less than 24 hours had garnered more than 1,000 'likes.' As of press time, the page has nearly 3,500 'likes.' On an almost daily basis, state employees and health plan members reach out to the Cabinet through

---

private messaging on facebook for customer service requests. The platform is proving to be a useful and welcome addition to Cabinet communication strategies.

CSI has also begun research on an inclement weather text messaging alert system for state employees and an internal Personnel pages directory for staff. CSI also has been instrumental in developing new marketing services for state health plan members, including phone calls and direct mail.

▲ Legislative Liaison Support

Working with various legislative leaders and the governor's office, CSI was able to collaborate on the passage of several key bills during the 2015 regular legislative session. CSI provided training on the new bill review system (KLIR) and oversaw the bill review process for the Cabinet. CSI provided health insurance briefings for legislators in reference to the 2015 plan year and letters to legislators regarding the 2015 Open Enrollment. CSI also hosted a "Keep the Promise" day for all LRC staff and General Assembly members. CSI staff also prepared various materials and presentations for legislative committees, compiled weekly legislative reports during session and interim reports. CSI staff helps to compile reports and studies from the 2015 session, including the Transportation Engineer Study. CSI oversaw ongoing legislative requests and responses throughout 2015.

▲ New Program Development and Ongoing Support

This past year CSI worked to launch new programs and services for the Personnel Cabinet, state employees, and health plan members. Examples of these programs include the employee discount program, iSTEP, internal leadership programs, Governor Beshear's tobacco-free policy implementation, SharePoint software for the Cabinet's website and internal ticketing system, the LivingWell brand and program, the Governor's Ambassador Awards program, and the wellness champs communication network.

---

## Governmental Services Center

---

### Who we are

---

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

The Governmental Services Center develops and delivers traditional classroom workshops, develops online modules, manages technological learning resources and transitions traditional modules to on-line modules so they can be accessed via multiple venues. GSC also manages the Pathlore Learning Management System, provides special consulting services, and administers the Employee Educational Assistance program, Certificate of Management Fundamentals, and Certificate of Supervisory Essentials programs. Visit GSC at [www.gsc.personnel.ky.gov](http://www.gsc.personnel.ky.gov).

---

### Program Spotlight

---

The Commonwealth of Kentucky recognized the critical need for improvements in its learning management system. To meet that need, GSC implemented the Kentucky Enterprise Learning Management System (KELMS) on July 1, 2015 to replace the Pathlore system. KELMS is being implemented as an enterprise-wide system that can be utilized by and configured for all state entities. The new system will allow agencies to manage the training process based on their needs.

- Employees will have the ability to assess their own skills, take charge of their learning and have access to their training transcripts.
- Managers can access training histories to guide team development.
- Leadership can use the training data to evaluate skill gaps and/or workforce strengths when needed.

Agencies will benefit from an enterprise-wide learning management system through:

- A single system for tracking training activities
  - Customized learning plans
  - Tracking employee progress in certification plans and programs
  - eLearning delivery and automatic transcript reconciliation
  - Self-registration for agency instructor-led training
  - Extensive reporting capabilities
-

---

## Accomplishments

---

### Governmental Services Center

---

#### ▲ The Certificate of Supervisory Essentials (CSE) Program

GSC offered three enrollment periods allowing 773 participants the opportunity to complete the program. During this reporting period, 91 employees successfully completed all requirements and were awarded the certificate.

#### ▲ Consulting Services

During this reporting period, GSC created and presented 14 customized workshops based on agency needs. Services were provided to the Finance and Administration Cabinet, Kentucky Department of Veteran's Affairs, Department of Revenue, the Public Service Commission, and others.

#### ▲ Classroom Opportunities

GSC provided 132 classroom opportunities allowing approximately 3,000 employees face-to-face development opportunities.

---

---

## Office of Administrative Services

---

### Who we are

---

The Office of Administrative Services (OAS) is responsible for the internal administration of the Personnel Cabinet. The Office's responsibilities include Human Resources, payroll, budget, accounting, purchasing, property management, and internal audit.

---

### Program Spotlight

---

The Personnel Cabinet receives most of its funding for operations by charging an administrative fee based on a head count of employees. In Fiscal Year 2015, the Cabinet experienced a shortfall of approximately \$600,000 in cash largely due to reductions in the number of public employees. OAS managed sources of funds and accounts to pull the Cabinet through the Fiscal Year without any outward difficulty.

---

### Accomplishments

---

#### Office of Administrative Services

---

##### ▲ New Health Insurance Contracts

OAS helped facilitate five new health insurance contracts for the Department of Employee Insurance that improved services and will save the Commonwealth more than \$100 million per year. The credit for the contracts belongs with the Department of Employee Insurance.

##### ▲ Successful Workers' Compensation Request for Proposal (RFP)

The Office of Employee Relations, with assistance from OAS, crafted a very detailed and unique RFP for third party administration of the Commonwealth's self-insured workers' compensation program. The RFP clearly delineated the quality and cost of competing companies in a very competitive field. A new contract is to be awarded and will take effect on January 1, 2016.

##### ▲ Group Life Insurance Savings

OAS assisted the Group Life Insurance Program in bidding out the Commonwealth's group life insurance benefit program and changed the type of bid to an RFB—cost only after meeting minimum requirements. The result was a new contract which saved employers in the group life program more than \$500,000 per year for each of the first two years of the contract.

##### ▲ Improved Human Resources Management

One of the long-time Human Resource administrators for the Cabinet retired in Fiscal Year 2015, and OAS transitioned seamlessly. The transition has included an enhanced role for OAS in disciplinary actions, hiring across the Cabinet, and KHRIS security. The enhanced security role has been particularly difficult following the consolidation of infrastructure under the Commonwealth Office of Technology. The Cabinet has by far the most complex KHRIS security roles in state government. OAS has improved

---

hiring practices across the Cabinet through education and actively participating on hiring teams. HR staff in OAS has done an exceptional job improving onboarding for new employees. Staff has worked with Kentucky Retirement Systems to correct errors in pension spiking bills.

▲ Improved Fiscal Management

OAS internal audit staff worked successfully with the State Auditor of Public Accounts, external auditors, and organizational units in the Cabinet to reduce auditing exceptions and increased the Cabinet’s role in the production of financial statements for the Department of Employee Insurance. The Cabinet ended Fiscal Year 2015 on budget in a year with very limited resources.

**Deferred Compensation  
June 30, 2015 Budget Status  
100% of Fiscal Year**

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	YTD AMT	Budget	% YTD
<b>Personnel Costs</b>															
Salary & Wages	170,712	112,615	117,932	115,791	115,333	117,040	111,519	111,968	116,481	115,885	128,598	63,681	1,397,553	1,776,500	78.67%
Benefits	98,684	69,291	71,425	71,837	69,804	69,337	67,950	68,155	70,522	70,539	73,101	33,858	834,501	850,000	98.18%
Wkrs. Comp & Training	6,985	0	0	258	0	0	258	0	0	258	0	0	7,760	12,000	64.67%
CliftonLarsonAllen LLP	0	0	0	0	0	35,000	0	0	0	0	0	0	35,000	38,000	92.11%
Nationwide Retirement Solutions	366,696	367,512	367,958	368,784	368,827	370,277	368,299	369,509	368,232	368,496	367,742	366,979	4,419,312	4,692,600	94.18%
Nationwide Retirement Solutions - FY14	95,000	0	0	0	0	0	0	0	0	0	0	0	95,000	95,000	100.00%
Mercer Investment, Stable Fund	0	0	10,000	0	0	10,000	0	0	10,000	0	0	10,000	40,000	35,200	113.64%
Mercer Investment, Mutual Fund	0	0	30,000	0	0	30,000	0	0	30,000	0	0	30,000	120,000	124,800	96.15%
Mercer Investment, Travel (mutual & stable)	0	0	1,757	0	0	2,395	0	0	793	0	0	2,539	7,484	7,500	99.79%
Mercer Investment, Custodial Fee Study	0	0	0	23,500	0	0	0	0	0	0	0	0	23,500	23,500	100.00%
Reed Walkamp Shell & Vice	16,841	15,507	11,340	28,180	21,797	17,820	22,162	21,061	19,810	11,976	12,620	19,051	218,164	225,000	96.96%
Winner Resources	13,121	13,818	0	0	0	20,888	0	0	0	17,579	4,899	6,031	76,337	110,000	69.40%
Investment Advice Program	0	0	0	0	0	0	0	0	0	0	0	0	0	375,000	0.00%
Fiduciary Liability Insurance	0	0	9,773	0	51,322	0	0	0	0	0	0	0	61,095	100,000	61.10%
Other Contracted Services	0	0	0	0	0	0	0	0	0	0	0	0	0	40,000	0.00%
Security	0	645	0	645	0	0	645	0	0	0	0	645	2,578	5,000	51.56%
Misc	0	0	0	0	0	0	0	0	0	0	0	0	0	15,000	0.00%
Janitorial	0	1,010	1,010	2,020	0	2,020	1,010	1,010	1,010	0	2,020	1,010	12,120	11,500	105.39%
<b>Subtotal</b>	<b>768,039</b>	<b>580,397</b>	<b>621,195</b>	<b>611,014</b>	<b>627,084</b>	<b>674,777</b>	<b>571,843</b>	<b>571,702</b>	<b>616,848</b>	<b>584,733</b>	<b>588,981</b>	<b>533,793</b>	<b>7,350,404</b>	<b>8,536,600</b>	<b>86.10%</b>
<b>Operating Costs</b>															
Utilities	1,670	1,575	1,458	1,398	260	1,436	2,577	1,737	1,564	477	2,190	1,565	18,006	27,500	65.48%
Rent	26,411	0	0	26,411	0	0	26,411	0	0	26,411	0	0	105,644	105,700	99.95%
Other Rent	342	869	1,716	350	2,320	752	1,073	1,035	1,022	266	1,007	266	10,919	27,500	39.70%
Maintenance	371	499	0	8,586	0	678	0	443	233	166	0	93	11,068	50,000	22.14%
Postage	10	942	695	884	804	588	1,228	779	584	480	1,273	4,106	12,372	55,000	22.49%
Misc. Services	213	263	408	925	163	423	0	187	209	163	8,497	668	12,118	35,000	34.62%
Telecommunications	71	1,292	854	784	909	164	907	1,697	2,284	820	852	2,492	13,125	35,000	37.50%
Computer Services	491	6,352	12,396	24,478	4,802	11,087	6,087	5,583	3,758	4,699	48,157	20,700	148,589	138,300	107.44%
Supplies	399	574	351	477	1,472	850	204	730	796	625	1,219	820	8,517	14,000	60.83%
Commodities	0	41	0	727	0	206	0	445	873	37,548	0	1,890	41,729	45,000	92.73%
Travel	879	1,580	1,899	3,382	1,234	696	94	417	323	442	2,517	152	13,614	22,000	61.88%
Dues, Subscriptions, Other	310	0	71	174	48	36	0	981	22	10,000	96	0	11,739	15,500	75.73%
<b>Subtotal</b>	<b>31,057</b>	<b>13,986</b>	<b>19,848</b>	<b>68,575</b>	<b>12,011</b>	<b>16,915</b>	<b>38,583</b>	<b>14,032</b>	<b>11,668</b>	<b>82,097</b>	<b>65,307</b>	<b>32,851</b>	<b>407,439</b>	<b>510,500</b>	<b>71.42%</b>
<b>Capital Costs</b>															
	0	0	0	0	0	0	0	0	0	0	0	0	0	5,000	0.00%
<b>Total</b>	<b>799,105</b>	<b>594,383</b>	<b>641,043</b>	<b>679,589</b>	<b>639,095</b>	<b>691,692</b>	<b>610,425</b>	<b>585,734</b>	<b>628,517</b>	<b>666,829</b>	<b>654,787</b>	<b>566,644</b>	<b>7,757,844</b>	<b>9,112,100</b>	<b>85.14%</b>

\*Please note that payments to NRS, Mercer, RWSV, and Winner are listed in the month during which the service was performed and not when paid. The \$95,000 reported in July for NRS was for work performed in June & will not be reported in FY15 for the quarterly Board Meetings.

## Personnel Cabinet-General Operations June 30, 2015 Budget Status 100% of Fiscal Year

(Excluding Workers Comp and Deferred Comp)

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	YTD AMT	Budget	% YTD
<b>Personnel Costs</b>															
Salary & Wages	1,223,039	948,787	830,521	810,044	843,942	804,983	808,998	842,451	824,020	824,041	814,730	483,987	9,939,523	9,939,698	100.00%
Benefits	884,814	496,094	481,298	485,239	493,743	483,247	482,088	491,183	485,875	485,553	480,957	261,842	5,811,912	5,812,038	100.00%
Wkrs. Comp & Training	45,790	4,823	425	4,317	787	2,280	2,384	3,089	1,050	8,191	1,518	3,188	75,622	75,717	99.87%
AON Consulting	0	30,240	45,010	29,330	0	65,520	58,030	18,130	0	50,750	0	112,140	409,150	409,200	99.99%
Auditor of Public Accounts	0	0	0	0	0	0	0	0	0	0	0	88,018	88,018	88,100	99.91%
Blue & Co LLC	11,820	0	0	0	37,780	0	11,841	0	0	19,720	0	0	81,141	81,200	99.93%
CGI Technologies	0	0	0	0	0	0	0	0	0	0	379,828	0	379,828	379,828	100.00%
Legal contracts	481	0	12,521	5,580	0	3,280	0	0	0	11,841	11,800	14,580	59,843	59,900	99.90%
Pomeroy	36,046	0	35,744	36,488	33,931	39,584	29,104	32,484	68,272	0	36,966	86,325	434,902	434,925	99.99%
SAP Public Services	0	0	0	0	0	0	0	0	0	0	0	516,222	516,222	516,238	100.00%
Sierra Infosys	337,062	200,375	207,738	225,703	262,778	308,229	236,744	258,449	291,813	272,718	284,491	535,013	3,398,909	3,398,978	100.00%
Susan M Turner (KEAP)	0	0	0	0	0	0	0	0	0	0	0	825	825	1,000	82.50%
TEK systems	0	78,328	82,368	95,215	0	103,015	189,527	95,489	193,851	0	94,827	196,789	1,119,206	1,119,242	100.00%
Truven Health Analytics	49,508	49,508	0	99,017	0	49,508	99,017	125,428	0	58,000	51,008	121,775	702,768	702,800	100.00%
Virtusa Corp	0	0	1,200	0	0	0	0	0	0	0	0	0	1,200	1,259	95.31%
Other Contract Costs	160	114	1,300	5,152	-5,175	3,505	1,714	2,218	1,182	12	-9,725	-237,876	-237,439	-238,403	99.80%
Security	9,749	-905	0	8,844	0	0	8,844	0	0	18,180	-301	1,113	45,523	45,708	99.80%
<b>Subtotal</b>	<b>2,398,470</b>	<b>1,707,144</b>	<b>1,898,123</b>	<b>1,804,908</b>	<b>1,867,744</b>	<b>1,863,131</b>	<b>1,928,289</b>	<b>1,868,898</b>	<b>1,865,643</b>	<b>1,747,004</b>	<b>2,125,899</b>	<b>2,153,922</b>	<b>22,826,963</b>	<b>22,827,228</b>	<b>100.00%</b>
<b>Operating Costs</b>															
Utilities	169	62,541	200	198	62,558	184	62,571	210	200	62,571	200	399	251,999	252,044	99.98%
Rent	32,703	134,146	0	32,703	133,148	0	165,849	0	0	165,849	0	0	684,397	684,523	99.98%
Other Rent	4,081	6,482	3,982	6,442	8,287	3,820	8,133	3,486	5,384	4,344	3,772	6,821	64,793	64,956	99.75%
Maintenance	2,831	4,039	255	80,187	888	364	19,338	510	786	9,230	47,383	4,370	149,919	150,032	99.92%
Postage	5	83,285	4,092	6,557	7,711	4,530	4,832	2,107	4,323	2,082	6,080	2,349	127,935	128,073	99.89%
Misc. Services	450	7,978	12,851	62,247	2,852	5,720	2,385	3,176	5,037	1,354	2,965	3,485	110,301	110,482	99.84%
Telecommunications	2,847	5,487	5,288	6,408	9,011	12,880	5,258	6,744	12,725	2,788	3,384	14,001	86,577	86,783	99.76%
Computer Services	278,236	248,288	251,791	389,397	374,550	233,999	202,908	273,181	193,838	188,573	245,434	443,868	3,311,820	3,312,299	99.99%
Supplies	1,293	1,859	11,800	1,800	2,839	1,278	2,808	2,794	1,801	3,852	1,236	3,120	35,879	35,991	99.89%
Commodities	695	2,044	1,360	3,084	1,888	3,582	1,228	1,387	3,476	6,786	9,899	18,209	53,197	53,370	99.88%
Travel	1,355	748	10,472	10,120	3,078	2,971	-4,994	502	884	1,734	3,836	1,133	31,837	31,949	99.65%
Dues, Subscriptions, Other	8,782	6,553	3,882	6,542	1,474	449	4,372	1,206	22	8,294	-1	4,965	48,542	48,680	99.70%
<b>Subtotal</b>	<b>331,248</b>	<b>583,188</b>	<b>305,770</b>	<b>585,883</b>	<b>608,061</b>	<b>269,337</b>	<b>474,898</b>	<b>295,282</b>	<b>218,257</b>	<b>457,235</b>	<b>323,949</b>	<b>502,521</b>	<b>4,935,195</b>	<b>4,937,172</b>	<b>99.98%</b>
<b>Total</b>	<b>2,729,719</b>	<b>2,270,330</b>	<b>2,003,892</b>	<b>2,390,589</b>	<b>2,275,806</b>	<b>2,132,468</b>	<b>2,402,955</b>	<b>2,162,180</b>	<b>2,083,900</b>	<b>2,204,239</b>	<b>2,449,848</b>	<b>2,656,443</b>	<b>27,782,148</b>	<b>27,764,400</b>	<b>99.99%</b>

**Workers' Compensation  
June 30, 2015 Budget Status  
100% of Fiscal Year**

	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	YTD AMT	Budget	% YTD
<b>Personnel Costs</b>															
Salary & Wages	51,839	33,516	33,835	32,247	34,170	42,538	39,809	41,393	39,904	39,911	40,229	20,174	449,665	475,000	94.67%
Benefits	30,027	20,574	20,721	19,248	20,311	24,280	23,761	24,490	23,804	23,808	23,962	14,184	259,170	280,000	96.13%
Wkrs. Comp & Training	1,770,420	1,546,702	1,664,840	2,018,709	1,282,373	1,656,986	2,135,549	1,528,390	1,716,816	2,045,244	1,806,145	1,968,547	21,140,720	22,144,800	95.47%
Blue & Co LLC	0	0	0	0	0	31,530	0	0	0	0	0	0	31,530	40,000	78.83%
CCMSI Administration	238,784	0	0	104,249	204,759	89,364	1,144	9	159,656	153,406	86,170	208,567	1,246,109	2,552,200	48.82%
Other Contract Costs	0	0	0	0	0	0	0	0	0	0	119	0	119	2,000	5.95%
Security	0	261	0	261	0	0	261	0	0	245	301	15	1,343	1,600	83.96%
<b>Subtotal</b>	<b>2,091,070</b>	<b>1,601,053</b>	<b>1,719,395</b>	<b>2,174,715</b>	<b>1,541,614</b>	<b>1,844,797</b>	<b>2,200,523</b>	<b>1,594,282</b>	<b>1,940,180</b>	<b>2,262,614</b>	<b>1,956,926</b>	<b>2,211,486</b>	<b>23,138,656</b>	<b>25,495,600</b>	<b>90.76%</b>
<b>Operating Costs</b>															
Utilities	0	1,934	0	0	1,934	0	1,934	0	0	1,934	0	0	7,737	7,800	99.20%
Rent	0	4,129	0	0	4,129	0	4,129	0	0	4,129	0	0	16,517	16,600	99.50%
Other Rent	265	177	0	88	88	0	177	58	177	88	131	410	1,659	2,000	82.96%
Maintenance	117	76	0	2,560	26	0	57	0	31	65	0	43	2,975	5,000	59.49%
Postage	0	11	37	58	26	16	15	56	27	20	3	19	287	1,000	28.69%
Misc. Services	0	0	72	6	0	32	0	0	0	0	0	0	111	1,000	11.09%
Telecommunications	141	973	886	875	993	856	877	744	1,063	659	752	1,925	10,744	15,000	71.62%
Computer Services	141	713	2,453	3,661	122	2,164	685	544	4	329	2,284	1,035	14,136	18,000	78.53%
Supplies	0	351	147	0	15	0	0	109	139	0	115	406	1,281	2,000	64.05%
Commodities	1,389	537	0	0	0	0	0	0	0	129	120	0	2,175	5,800	37.51%
Travel	0	0	251	68	0	153	0	0	1,511	425	43	130	2,582	3,400	75.93%
Dues, Subscriptions, Other	0	5,700	0	0	0	0	0	525	0	0	104	55,000	61,329	64,000	95.83%
<b>Subtotal</b>	<b>2,053</b>	<b>14,600</b>	<b>3,847</b>	<b>7,317</b>	<b>7,334</b>	<b>3,220</b>	<b>7,875</b>	<b>2,037</b>	<b>2,951</b>	<b>7,780</b>	<b>3,552</b>	<b>58,968</b>	<b>121,533</b>	<b>141,600</b>	<b>85.83%</b>
<b>Total</b>	<b>2,093,123</b>	<b>1,615,653</b>	<b>1,723,242</b>	<b>2,182,032</b>	<b>1,548,947</b>	<b>1,848,018</b>	<b>2,208,398</b>	<b>1,596,319</b>	<b>1,943,131</b>	<b>2,270,394</b>	<b>1,960,478</b>	<b>2,270,455</b>	<b>23,260,189</b>	<b>25,637,200</b>	<b>90.73%</b>

Three (3) payrolls posted in the month of July 2014. The last June 2014 payroll was deferred to FY15.



## Office of Diversity and Equality

---

### Who we are

---

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

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

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

ODE also oversees the development and implementation of workforce diversity initiatives to increase awareness, recruitment and retention efforts.

---

### Program Spotlight

---

The Office of Diversity and Equality in conjunction with the Governmental Services Center's Certificate of Supervisory Essentials has doubled the number of workshops offered in order to keep up with the demand of this new program. ODE also has changed training locations in order to increase capacity from 30 participants to 60 participants per workshop. There are now 240 training slots per month compared to 50 per month due to the change of location and increase in trainings offered. ODE continues to offer workshops directly to state agencies upon request.

### Accomplishments

#### ▲ Equal Employment Opportunity

**Consultation:** ODE staff has continued to provide one-on-one consultation to Cabinet/agency EEO and Human Resources professionals in complaint resolution, investigations (and participation therein), and training and employment procedures.

**Counseling:** ODE staff has continued to counsel potential EEO complainants via telephone, one-on-one meetings, and email, on employee rights and complaint procedures.

**Investigations:** ODE continues to investigate harassment and discrimination claims at the request of the Personnel Cabinet Secretary.

---

**Anti-Harassment Training:** In the past Fiscal Year ODE staff has conducted anti-harassment training for more than 2,551 state employees at monthly scheduled training events, onsite training events and online training events.

**Conference:** ODE staff planned and implemented the 28th annual Governor’s Equal Employment Opportunity Conference, with the theme “Leading the Way.” This year’s conference was a sold-out event held at the University of Louisville Shelby Campus Conference Center. Training topics included: Understanding Religious Discrimination, Dealing with Mental Health Issues in the Workplace, Understanding Sexual Orientation and Gender Identity Discrimination, “Inclusion” as a Leadership Behavior, HR’s Role in Preventing Workplace Violence, and Kentucky Personnel Board Updates. On behalf of the Personnel Cabinet, ODE also awarded the Charles W. Anderson Laureate Award to Dr. Gerald Smith, Assistant Professor of History at the University of Kentucky and the editor of the Kentucky African American Encyclopedia.

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

**EEO KHRIS Reporting:** ODE has continued to assist outside cabinets/agencies with accessing EEO and Affirmative Action reports in KHRIS for internal processes and reporting.

**Staff Development:** ODE has committed to furthering staff education and development through various webinars and other EEO related training events, including the Equal Employment Opportunity Commission’s (EEOC) Technical Assistance Program (TAPs). ODE staff also attended a three-day, EEOC led, training on current EEO issues and investigation procedures. Additionally, ODE staff attended the Kentucky Career Center’s conference, “An Untapped Labor Pool: Recruiting and Retraining Workers with Disabilities,” covering topics including recruitment, accommodations, and diversity.

#### ▲ Training

**Diversity Training:** ODE has trained 606 state employees on diversity and inclusion at monthly scheduled training events and onsite agency requested training events. This training, “Moving Kentucky Forward: Embracing Diversity and Inclusion in the Workplace,” explores various topics concerning our changing workforce and work environments. Through an interactive format, trainees discuss diversity topics, including: the definition of diversity, the business case for diversity and inclusion, the changing demographics of America, the personal barriers to inclusion (prejudice, bias, stereotypes, etc.), the organizational barriers to inclusion (communication, generation gap, policies and procedures, etc.), the impact of self-awareness and perception on inclusion, and the strategies for raising diversity awareness and cultural competency. This training is offered in a classroom format.

**Generations Training:** ODE has trained 287 employees on “Bridging the Generation Gap in the Workplace” through the regular monthly training rotation and onsite agency requested training events. This training addresses the growing concerns over generational conflict in our work environments. For the first time in American history, there are four distinct generations in the workplace. In this interactive training, participants identify the four generations and discuss the experiences/events that shaped the group characteristics of each, identify the problems associated with the generation gap, compare and contrast the value and potential outcomes of generational interaction, and develop strategies for effective cross-generational communication. This training is offered in a classroom format.

An additional 80 employees were trained specifically on “Understanding Millennials in the workplace.”

#### ▲ Affirmative Action

**Affirmative Action Plan:** ODE continues to maintain and monitor the Executive Branch Affirmative Action Plan and providing guidance to cabinets/agencies on quarterly reporting requirements and other affirmative action related issues.

**Reporting:** ODE continues to monitor employment trends within state government. Along with producing the January – June 2014 and July - December 2014 Semi Annual Reports on Female and Minority Employment, ODE has continued to work with the Division of Employee Management to develop reporting structures within the Kentucky Human Resource Information System (KHRIS) that more accurately represents race and gender hiring data for the Executive Branch.

**Job Classifications:** ODE staff continues to consult the Classification and Compensation Branch on designating proper EEO Classifications for newly created job specifications.

**Title VI Plan:** ODE has maintained the Personnel Cabinet’s Title VI Plan, regarding the prohibition of discrimination based on race, sex and national origin in federally funded programs, in accordance with state statute.

**Recruitment:** ODE staff assisted agencies (CHFS, DCO’s Applicant Services Branch, the Finance and Administration Cabinet, Kentucky Workforce Investment Board) in compiling minority recruitment resource lists and strategies.

#### ▲ Involvement

**Training:** In addition to providing monthly classroom training events, ODE staff provided additional Anti-Harassment and Diversity training events for the TEN-URE Conference, IPMA-HR Kentucky Chapter, Property Valuation Administrators, GAPS EEO Coordinators and Counselors, Personnel Cabinet’s Dept. of Human Resources Administration, Auditor of Public Accounts, Kentucky Employee Mediation Program (KEMP), the Legislative Research Commission (legislators and staff), Department of Public Advocacy, City of Mount Washington, Perry County Library, General Butler State Park, and the Office of Employment and Training.

**Partnerships:** ODE staff has partnered, in various capacities, with the following organizations: SkillsUSA Kentucky, the University of Kentucky International Public Policy and Management Institute’s Korean student exchange program, the Kentucky Employee Mediation Program and the Kentucky Future Business Leaders of America, Governmental Service Center (GSC), Kentucky’s FFA Convention, the Division of Career Opportunities in the Personnel Cabinet, the Legislative Black Caucus, the Kentucky State University Martin Luther King Jr. Commission, and the IPMA-HR Kentucky Chapter.

**Collaboration:** Also during this year, Executive Director Arthur Lucas has served on the Council on Post-Secondary Education Committee on Equal Opportunities and as President-Elect for the International Public Management Association for Human Resources (IPMA-HR) Kentucky Chapter. Additionally, ODE staff member Colene Elridge continued her participation as a mediator in the Kentucky Employee Mediation Program (KEMP), Singer Buchanan serves on the Governor’s Reentry Task Force Steering Committee and the Franklin County Human Rights Commission, and Clinton Morris serves on the Martin Luther King Commission.

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

**Executive Branch Female Utilization (as of June 30, 2015)\***

<b>JOB CATEGORY</b>	<b>TOT EMPS</b>	<b>FEMALE EMPS</b>	<b>percent FEMALE</b>	<b>FEMALE PROJ percent GOAL</b>
EEO GRP 1: OFFICIALS and ADMIN	<b>2,705</b>	1,191	44.03percent	50.8percent
EEO GRP 2: PROFESSIONAL	<b>16,892</b>	9,821	58.14percent	50.8percent
EEO GRP 3: TECHNICIANS	<b>1,475</b>	546	37.02percent	50.8percent
EEO GRP 4: PROTECT SERV WRKR	<b>3,242</b>	556	17.15percent	50.8percent
EEO GRP 5: PARA PROFESSIONAL	<b>2,507</b>	1,852	73.87percent	50.8percent
EEO GRP 6: OFFICE and CLERICAL	<b>1,550</b>	1,204	77.68percent	50.8percent
EEO GRP 7: SKILLED WORKER	<b>2,402</b>	130	5.41percent	50.8percent
EEO GRP 8: SERVICE MAINTENANCE	<b>1,683</b>	731	43.43percent	50.8percent
<b>JUNE 2015 TOTAL</b>	<b>32,456</b>	<b>16,031</b>	<b>49.39percent</b>	<b>50.8percent</b>

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

**Executive Branch Minority Utilization (as of June 30, 2015)\***

<b>JOB CATEGORY</b>	<b>TOT EMPS</b>	<b>MIN</b>	<b>percent MIN</b>	<b>MIN PROJ percent GOAL</b>
EEO GRP 1: OFFICIALS and ADMIN	<b>2,705</b>	197	7.28percent	11.7percent
EEO GRP 2: PROFESSIONAL	<b>16,892</b>	1,648	9.76percent	11.7percent
EEO GRP 3: TECHNICIANS	<b>1,475</b>	96	6.51percent	11.7percent
EEO GRP 4: PROTECT SERV WRKR	<b>3,242</b>	223	6.88percent	11.7percent
EEO GRP 5: PARA PROFESSIONAL	<b>2,507</b>	345	13.76percent	11.7percent
EEO GRP 6: OFFICE and CLERICAL	<b>1,550</b>	134	8.65percent	11.7percent
EEO GRP 7: SKILLED WORKER	<b>2,402</b>	93	3.87percent	11.7percent
EEO GRP 8: SERVICE MAINTENANCE	<b>1,683</b>	225	13.37percent	11.7percent
<b>JUNE 2015 TOTAL</b>	<b>32,456</b>	<b>2,961</b>	<b>9.12percent</b>	<b>11.7percent</b>

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

**Personnel Cabinet Female Utilization (as of June 30, 2015)**

<b>JOB CATEGORY</b>	<b>TOT EMPS</b>	<b>FEMALE EMPS</b>	<b>percent FEMALE</b>	<b>FEMALE PROJ percent GOAL</b>
EEO GRP 1: OFFICIALS and ADMIN	39	19	48.72percent	50.8percent
EEO GRP 2: PROFESSIONAL	169	133	78.7percent	50.8percent
EEO GRP 3: TECHNICIANS	14	6	42.86percent	50.8percent
EEO GRP 4: PROTECT SERV WRKR	--	--	--	--
EEO GRP 5: PARA PROFESSIONAL	--	--	--	--
EEO GRP 6: OFFICE and CLERICAL	4	3	75.00percent	50.8percent
EEO GRP 7: SKILLED WORKER	--	--	--	--
EEO GRP 8: SERVICE MAINTENANCE	--	--	--	--
<b>JUNE 2015 TOTAL</b>	<b>226</b>	<b>161</b>	<b>71.24percent</b>	<b>50.8percent</b>

**Personnel Cabinet Minority Utilization (as of June 30, 2015)**

<b>JOB CATEGORY</b>	<b>TOT EMPS</b>	<b>MIN</b>	<b>percent MIN</b>	<b>MIN PROJ percent GOAL</b>
EEO GRP 1: OFFICIALS and ADMIN	39	4	10.26percent	11.7percent
EEO GRP 2: PROFESSIONAL	169	22	13.02percent	11.7percent
EEO GRP 3: TECHNICIANS	14	1	7.14percent	11.7percent
EEO GRP 4: PROTECT SERV WRKR	--	--	--	--
EEO GRP 5: PARA PROFESSIONAL	--	--	--	--
EEO GRP 6: OFFICE and CLERICAL	4	0	0percent	11.7percent
EEO GRP 7: SKILLED WORKER	--	--	--	--
EEO GRP 8: SERVICE MAINTENANCE	--	--	--	--
<b>JUNE 2015 TOTAL</b>	<b>226</b>	<b>27</b>	<b>11.95percent</b>	11.7percent

## Office of Employee Relations

---

### Who we are

---

The Office of Employee Relations values and strengthens the investment we have in state employees. Many of our branches and programs collaborate to provide benefits and services. This office consists of the following areas:

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

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

### Accomplishments

---

#### **Workers' Compensation Branch**

- Savings during FY 2014-15:
    - \$564,916 under the fee schedule
    - \$956,593 by denying duplicate charges
    - \$54,565 in utilization review charges as a savings granted by our third party administrator
    - \$564,916 through our pharmacy benefit program
  - There is no delay in processing medical benefits as onsite care is provided 24/7/365. This guarantees payment and provides less stress and anxiety for the injured employee and their family.
-



**Kentucky Group Life Insurance Branch**

Beginning with the 2015 calendar year, the branch began a new two-year contract with Nationwide Insurance Company resulting in significantly lower costs for the Commonwealth as well as two new optional plans.

**Sick Leave/ Annual Leave Sharing Program**

As an added benefit to employees, the Personnel Cabinet now maintains a master listing that allows employees who are separating or retiring from state government to donate their unused sick leave.

**Employee Recognition Branch**

During FY 14-15, Employee Suggestion System awards totaling \$15,361.97 were presented to 29 state employees. Implemented suggestions represented a first-year savings of \$568,799.97.

**Adoption Benefit Program**

For the sixth year, Kentucky state government has been named the Best Adoption-Friendly Workplace in the government industry by the Dave Thomas Foundation for Adoption.

---

**Program Spotlight**

---

**Workers' Compensation Branch**

Workers Compensation Branch (WCB) employees focus on customers' individual needs and on cost containment. Branch employees maintain strategic relationships with over 200 agency contacts to begin the management of a claim immediately. During severe weather and any emergency, WCB employees are proactive with Emergency Management centers to assist injured employees. The WCB and the Return-To-Work Branch are participating in the multiyear State Health and Medical Preparedness Advisory Committee (HMPAC) to improve the response in a catastrophic emergency in Kentucky. While this past year had numerous weather emergencies including snow, flooding and tornadoes, there was not a dramatic injury increase for emergency personnel or regular employees.

The Workers' Compensation Program has worked closely with the Safety Program and the Return-to-Work Program to prevent and reduce injuries. We continue to focus on customer needs.

- The Workers' Comp Branch provides specific training for VA nursing homes which has resulted in a significant reduction in their Workers' Comp assessments.
- The Worker's Comp Branch provides safety, Workers' Comp and Return-to-Work training for statewide KCTCS administrators

We continue to have knowledgeable employees ready to assist agencies and injured employees. Although First Report of Injuries are submitted electronically, our employees take serious or catastrophic injuries by telephone during business hours to begin the immediate management of benefits.

- The Workers' Compensation Branch has received and processed 3820 First Report of Injuries for injuries occurring in Fiscal Year 14-15.
-

- The branch provides coverage for approximately 85,000 employees in 120 counties throughout the Commonwealth.
- The branch provides coverage for approximately 18,000 volunteer ambulance and firefighters in 118 counties in the Commonwealth.
- The branch has received and processed 1,512 temporary total disability benefit checks for leave reimbursement.
- There has been \$82,100 in subrogation recoveries received during FY 14-15. Subrogation law has changed significantly reducing recoveries.
- Eighty-two claims went into litigation and were assigned to defense attorneys. Twenty seven of these claims were filed by the Commonwealth as medical fee disputes, resulting in reduced unnecessary and unreasonable medical costs.

One relevant and possible factor in the upcoming budget cycle is the passage of a firefighters bill to combine the paid fire fighters under our work comp program coupled with a cancer presumption component similar to other states. If that bill passes, the workers' compensation program will have to secure adequate premium billing for the new additions and the cancer component. This easily could happen by July of 2016; below is the national trending. States in blue have so-called "cancer presumption laws." In other words, under state law it is presumed that a firefighter diagnosed with certain types of cancer contracted it in the line of the duty.

Blue states have cancer presumption laws

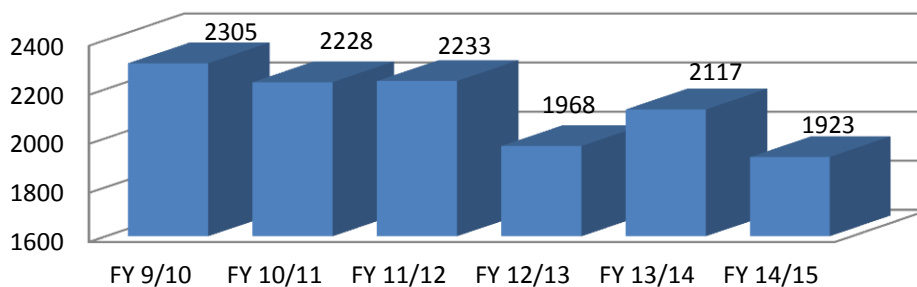


*Total Expenses for Fiscal Year 14-15  
Medical Claims: 1941, reported claim total 3,820*

Class	Total Paid	Out. Reserve	
<b>EXPENSE</b>	\$870,617.78	\$579,798.53	
<b>IND.COMPROMISE</b>	\$7,000.00	\$29,594.46	
<b>IND.FATALITY</b>	\$227,519.71	\$0.00	
<b>IND.PPD</b>	\$12,500.00	\$828,343.76	
<b>IND.TPD</b>	\$0.00	\$0.00	
<b>IND.TTD</b>	\$1,071,703.06	\$355,391.03	
<b>LEGAL</b>	\$67,108.26	\$35,441.74	
<b>MEDICAL</b>	\$3,539,810.35	\$2,575,130.59	

<b>Total Paid:</b>	\$5,796,259.16
<b>Outstanding Reserves:</b>	\$4,403,700.11
<b>Third Party Recovery:</b>	\$4,171.24
<b>Total Incurred:</b>	\$10,195,788.03
<b>Carrier Reimbursements:</b>	\$0.00
<b>Net Incurred:</b>	\$10,195,788.03

**Claim Count by Past Five Fiscal Years**



Kentucky Group Life Insurance Branch

This branch administers the state sponsored life insurance contract. These duties include maintaining the eligibility database, enrollment processing, generating bills, reconciling payments, issuing refunds, managing claims processing, generating and mailing summaries of coverage, as well as providing training and customer service for insurance coordinators. Eligible employees receive \$20,000 of basic insurance coverage and accidental death and dismemberment coverage free of charge. Employees may choose to

purchase dependent and optional plans. Coverage is contracted through Nationwide Insurance Company. Nationwide is responsible for approving and processing death claims, providing underwriting services, and policy conversion.

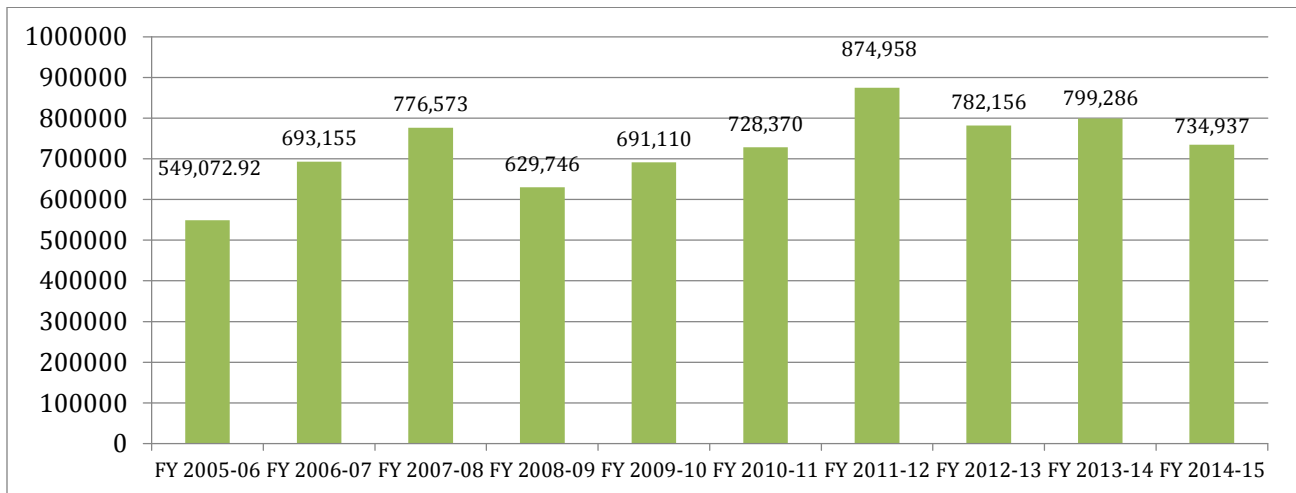
The branch administers group life insurance for 138,293 eligible employees at 475 locations. Of this number 19,781 employees have elected additional optional coverage and 16,070 employees have elected to cover family members with a dependent plan. Beginning with the 2015 calendar year, the branch began a new two -year contract with Nationwide Insurance Company resulting in significantly lower costs for the Commonwealth.

[Return to Work Branch](#)

The Return to Work (RTW) Branch consults with employers to assist them in developing Temporary Modified Duty Programs (TMDP). In our consulting role, we educate the employer on the importance and benefit of providing modified duty for an employee recuperating from a work related injury. Research shows that an injured employee recovers more quickly when returned to work as soon as medically possible. This branch plays an integral part by providing agencies the resources and information needed in order to make the most informed decision regarding their ability to return injured employees to work.

The data in the following charts shows the cost saving benefits for agencies. The figures shown are strictly based on direct cost savings and do not take into account the indirect cost savings to an agency once an employee returns to work. Since its inception in 2005, the program has recognized a savings in temporary total disability benefits of over \$7 million.

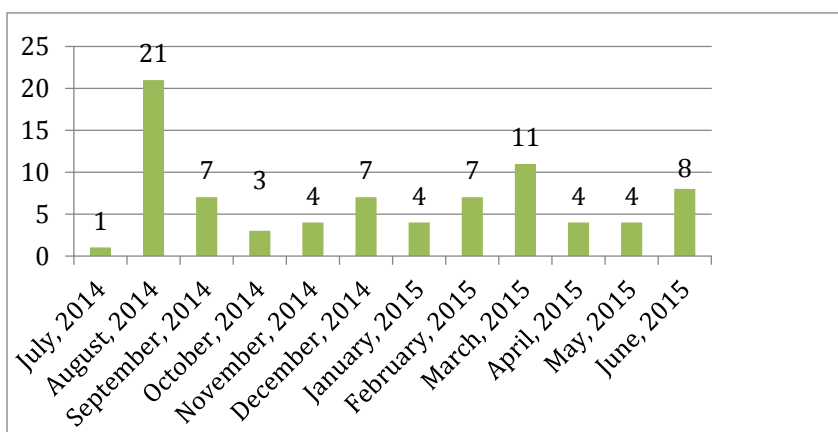
Direct Cost Savings  
Temporary Total Disability Benefits  
Fiscal Years: 2005-2015



▲ Ergonomic Evaluations

The Return-to-Work Branch continues the efforts to educate employers and employees on the proper ergonomic standards for workstations. It is certainly best to conduct ergonomic evaluations prior to any injury occurring, however, an ergonomic evaluation can occur any time during an employee’s recuperation period in order to assist with return to work issues. Ongoing training is provided upon agency request. This branch also conducts job analysis to assist agencies in determining an employee’s essential functions of the job. This helps the agency determine the need for the reasonable accommodation process.

Ergonomic Evaluations  
Fiscal Year 2014-2015



Workplace Relations Branch

The Kentucky Employee Mediation Program (KEMP) provides dispute resolution for Executive Branch employees. We offer two free services. In addition to the program manager, there are 18 part-time, volunteer mediators who are state employees in various cabinets and agencies.

▲ Mediation is usually between two employees. They can be co-workers or employee and supervisor. Anyone can request this service. In Fiscal Year 14-15, 33 mediations were conducted, involving 108 participants. Sixty percent were referrals from the Personnel Board. Settling an appeal through mediation instead of a hearing saves the Commonwealth hundreds of thousands of dollars. The matter is settled much quicker, with fewer employees, and both sides are more likely to be satisfied with the outcome.

Workplace Resolutions are used when an entire group is conflicted resulting in lower productivity. A manager or above must request the service. The mediators meet with each person in the group individually, and then make recommendations to the requesting manager. Eleven Workplace Resolutions were completed, with 104 participants. There were 1,349 requests for information and services.

## Employee Recognition Branch

The Commonwealth of Kentucky celebrates our employees, their contributions, commitment, and achievements.

### ▲ Employee Suggestion System

State government employees use an Internet-based system to submit improvement suggestions on-line. This efficient process helps to identify the Commonwealth as a leader in recognizing and managing employee ideas. The form is simple, user-friendly, and fast. Employees receive immediate confirmation of their suggestion and are able to track it throughout the process. During Fiscal Year 14 -15, employees submitted 364 suggestions. Awards totaling \$15,361.97 were presented to 29 state employees through the Employee Suggestion System with implemented suggestions representing a first-year savings of \$568,799.97.

### ▲ Governor's Ambassador Award

The sixth-annual Kentucky Governor's Ambassador Awards program occurred on October 8, 2014. Five individuals and a team of public service employees received recognition in six categories: customer service, courage, leadership, professional achievement, teamwork, and community service and volunteerism. Employee Relations received 69 nominations involving 199 individuals.

A selection committee reviews and selects three finalists in each category. The Governor then selects the six overall winners in each category. Nominees attend the awards ceremony, and award recipients receive the honor of having a personalized engraved brick placed along Ambassador Avenue outside the Thomas D. Clark Center for Kentucky History.



### ▲ Public Employee Recognition Week

Additionally, during Kentucky Public Service Recognition Week, we honor those who serve Kentucky as state and local government employees. The Employee Recognition Branch coordinates this effort and provides an online toolkit of ideas for use by other agencies. Activities include a statewide poster contest for school-age children to increase awareness of state employee achievements and contributions. Banners proclaiming this special week are displayed outside the Capitol, State Office Building, Transportation Cabinet, and the Cabinet for Health and Family Services.

### ▲ Employee Recognition Certificates

KRS Chapter 18A employees receive service certificates in honor of their dedicated completion of five, 10, 20, 30 and 40 years of service from the Personnel Cabinet. Fiscal Year 14 -15 recognition certificates were processed for 3,682 employees. Retirement certificates were presented to 870 employees.



#### 2014 Governor's Ambassador Award Ceremony

Pictured: Colman Elridge, Governor's Office; Mamie Masters, Customer Service Award recipient; Tim Longmeyer, Personnel Cabinet Secretary

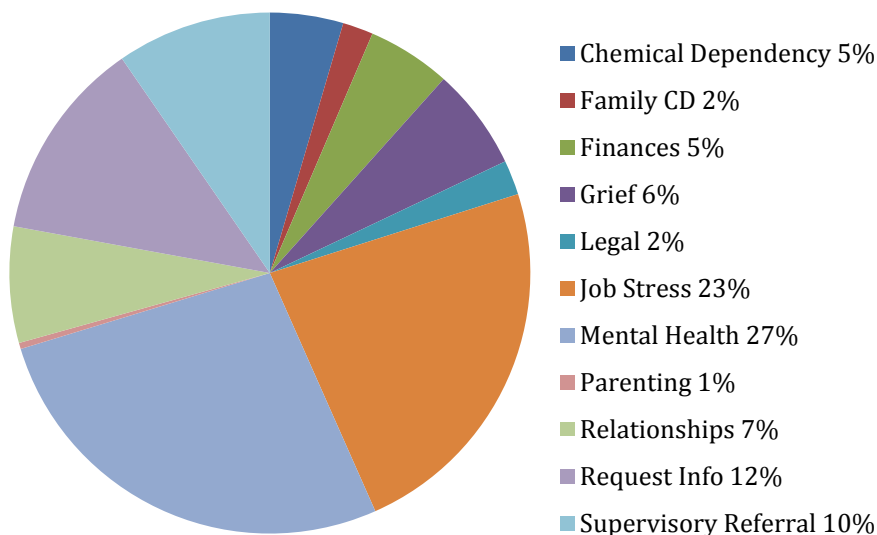
### [Employee Assistance Branch](#)

The Kentucky Employee Assistance Program (KEAP) is dedicated to helping employees find resources for personal concerns such as family issues, emotional distress, alcoholism or drug abuse, financial concerns or job stress challenges. Our services are confidential and are available to all state employees and their dependents. There is no cost for information or referral services.

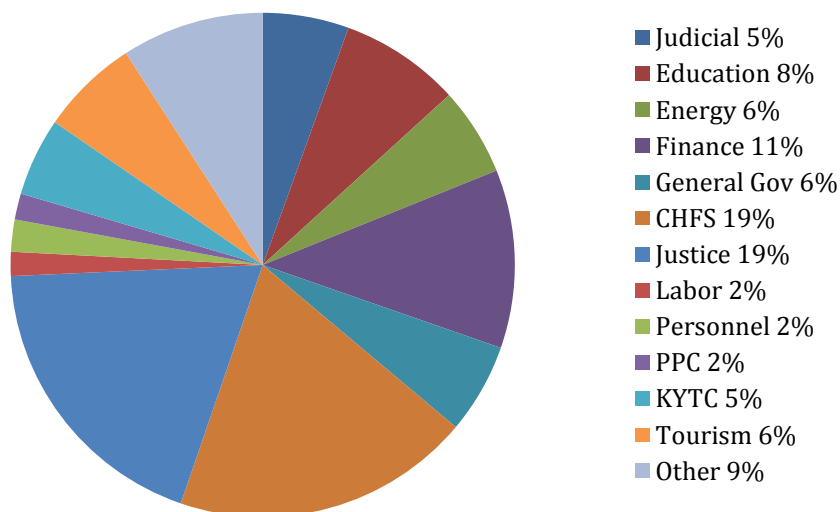
During Fiscal Year 14 -15, KEAP provided direct employee assistance services to 778 state employees and/or their family members. KEAP staff provides more than 120 live presentations on topics such as Depression Awareness, Happiness at Work, Stress Management, Time Management, and Verbal De-escalation Skills. Upon invitation by agencies, KEAP staff also conducts workshops on a variety of mental health and work/life balance topics. KEAP counselors present at a number of agency events and conferences as well as employee health fairs. The number of workshops offered in webinar format continues to grow allowing for increased participation of state employees from the convenience of their desktops.

In addition, staff provides ongoing consultations with many agency personnel offices on how to effectively address troubled employee situations. Workplace Violence Prevention training, available online, offers training for both employees and supervisors. The Workplace Violence Prevention Guide may be found on both the KEAP and Safety Program websites. When critical incidents or workplace trauma occur the KEAP can provide crisis response through psychological first-aid and working groups.

**KEAP 2014-2015 PRESENTING ISSUES**



**KEAP UTILIZATION by Agency 2014-2015**





The cabinets in which employees most utilized services were the Cabinet for Health and Family Services (19percent) and the Justice and Public Safety Cabinet (19 percent). Issues most frequently presented include mental/emotional health (27 percent) and job stress (23 percent).

### State Safety Program

---

Our mission is to promote a safe and healthy workplace for state employees and others by providing training, education, information, coordination, and assistance in the areas of workplace health and safety, loss prevention, and risk management.

#### ▲ Safety Training

Sixteen interactive safety trainings are available on the Safety Program website, seven of which are available in Spanish. Participants may print a certificate after successful completion of the course. The State Safety Manual, Workplace Violence Prevention Guide, and other helpful resources are available on the safety site. “Fundamentals of Safety and Health” is an online training class designed to provide standardized, statewide safety training. This course teaches basic safety awareness needed to keep workers safe.

#### ▲ Safety Certifications

Seventeen employees throughout the Personnel Cabinet were certified for the 2014-15 calendar year in first-aid, CPR, and AED use.

#### ▲ National Safety Month

In addition to working with other cabinets, the Safety Program works within the Personnel Cabinet to help ensure the health and safety of its employees. In June, the Cabinet participated in National Safety Month activities. Educational and interactive information was shared with employees - topics included prescription drug abuse, slips, trips and falls, ergonomics, transportation safety, and emergency preparedness. A wide variety of free safety educational information is available to employees in the Kentucky State Office Building on an ongoing basis.

#### ▲ Blood Drives

Building on our commitment to Kentucky’s emergency preparedness, the office regularly coordinates blood drives, alternating between the American Red Cross and Kentucky Blood Center. During FY 14-15, 775 donors were registered and 653 units of blood were collected.

### Executive Safety Advisory Committee

---

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

Committee members from the Office of Employee Relations presented ESAC safety awards at the June meeting in celebration of National Safety Month. These awards recognize cabinets with departments,

---

divisions or offices with no lost time injuries. Seven agencies received plaques and 138 departments, divisions, and offices received safety certificates for accomplishments in calendar year 2014.



Pictured: Personnel Cabinet staff Rick Davis, Jamie Allen, Mary Hook, Larry Gillis, Wes Swarner and Jordan Luttrell accepting ESAC Safety Certificates for “No Lost Time” injuries in their work areas

### Family Medical Leave

---

- ▲ The Family Medical Leave Act guarantees an eligible employee at least twelve weeks of unpaid leave should they or an immediate family member have a serious health condition. This office works closely with the legal office in advising agencies about their responsibilities for FMLA and the processes they are to follow. The final decision rests with the agency and they are responsible for defending their decisions. With the help of the legal office several guidance and updated regulations have been promulgated over the past two years with the culmination of two classroom trainings as well as an online training for managers which launched in Spring 2015.

### Sick Leave and Annual Leave Sharing

---

#### ▲ Sick Leave and Annual Leave Sharing

The Personnel Cabinet maintains a master listing of employees currently approved to receive sick leave donations through the Sick Leave Sharing (SLS) Program. Inclusion on the listing is voluntary. Employees are listed by cabinet and are added to this listing in the order in which they are received. Only through an agency HR Administrator, is this information shared with employees who are separating or retiring from state government and are seeking opportunities to donate their unused sick leave.

### Adoption Reimbursement Program

---

State employees who wish to adopt, are provided financial reimbursement assistance. Employees have access to the same benefits offered to birth parents, including twelve weeks of family and medical leave.

- ▲ The Dave Thomas Foundation for Adoption named the Commonwealth of Kentucky “Best Adoption Friendly Workplace” in the government industry for five consecutive years.
- ▲ The program nearly doubled the number of reimbursements in one Fiscal Year - 21 approved applications totaling \$85,085.24.

### Kentucky Employees Charitable Campaign

---

Each year the Personnel Cabinet administers the Kentucky Employees Charitable Campaign (KECC) to all employees who receive their paychecks through the Commonwealth. Nearly, \$1.2 million dollars was raised for local charities in 2015.

## Office of Legal Services

---

### Who we are

---

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

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

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

---

### Accomplishments

---

#### Office of Legal Services

---

OLS serves in a wide variety of roles. The following lists indicate the specific work that was conducted in each of these roles:

- ▲ Personnel Board-Related Matters  
Reviewed and consulted with agency attorneys and administrators with respect to 345 appeals filed with the Personnel Board during the Fiscal Year. Reviewed and approved all Personnel Board settlement agreements involving executive branch agencies, as well as settlements which occur in
-

other legal forums such as the Human Rights Commission. Provided legal support and guidance with respect to four desk audits ordered by the Personnel Board, as well as other pending appeals involving classification questions. Attended monthly Personnel Board meetings, provided a summary of the Cabinet's activities, suggested regulation amendments, and reported on trends throughout the HR enterprise. Provided assistance and documentation when requested with respect to Personnel Board investigations.

#### ▲ Litigation

Represented the Personnel Cabinet in 31 Personnel Board appeals filed this Fiscal Year, among others. Reviewed a total of 345 appeals received from the Personnel Board during Fiscal Year 2015. Served as counsel for other agencies in the event of an internal conflict within the outside agencies in 3 other Personnel Board appeals. Represented the Personnel Cabinet and assisted in the resolution of the ongoing litigation with Attachmate Software, Inc. involving multiple commonwealth agencies.

#### ▲ Requests for Information

Served as the Records Custodian for the Personnel Cabinet. Processed 131 requests submitted under the Kentucky Open Records Act and notified agencies and employees in appropriate cases. Reviewed and responded to 115 Employee Requests for Inspection of Records. Responded to 561 Investigative Requests for Employment from the U.S. Office of Personnel Management.

#### ▲ Personnel Actions

Reviewed and either approved, denied or requested further information for more than 10,000 background check files. Reviewed and either approved, denied or requested additional documentation for over 4,000 personnel actions, including appointments, rehires, transfers, demotions, suspensions, reversions, separations, paid and unpaid leave, disciplinary fines, and work county changes. Reviewed, requested further information when necessary, and recommended for approval by the secretary of the Personnel Cabinet of renewals of temporary assignments of other agency employees, special investigative leave actions, and petitions for written reprimand removals. Reviewed, requested further information when necessary, and recommended for approval along with the commissioner of DHRA any requests for closure of a state office building due to safety concerns, such as heating/air or water issues.

#### ▲ General Guidance / Legal Assistance

Provided legal guidance and assistance on the Executive Branch Tobacco-Free Policy, including legal research, assistance with employee communications and formal acknowledgement. Ensured compliance of the Personnel Cabinet's employee programs with the Supreme Court's decision regarding Same Sex Marriage. Extensive handling with the Affordable Care Act's employer requirements, including all new reporting requirements and the Play or Pay provisions which impact all agencies. Assisted the Personnel Cabinet Division of Employee Management on a variety of issues, including federal tax issues involving the IRS, proposed FLSA changes, review of benefits offered by other states in lieu of compensation awards, employee submission of time worked in KHRIS and training documentation, and thorough review of the employee evaluation system with resulting regulation amendments. Assisted the Personnel Cabinet's Division of Technology Services with the implementation of the Cabinet-wide iSTEP portal, which included the review of all material, review of

all security agreements, as well as the handling of any potential breaches in light of new cybersecurity laws. Reviewed all KECC charity applications for compliance with regulatory requirements and recommended inclusion or removal for the 2015-2016 campaign. Fielded numerous telephone calls from state employees and agencies regarding issues relating to the merit system, Human Resources, benefit information, open records requests, and background checks.

▲ Legislative and Regulatory Matters

Assisted with legislation during the 2015 regular session. Attended legislative committee hearings and provided testimony regarding key issues facing the Commonwealth HR enterprise. Submitted amendments to fourteen Personnel Cabinet administrative regulations, primarily to clarify requirements and promote consistency.

▲ Governor's Employee Advisory Council

Continued to assist the Governor's Office and elected labor organizations to increase the channels of communication with state employees.

▲ Additional Roles

Represented the Personnel Cabinet on the General Record Retention Schedule for State Agencies Committee, and provided assistance/review for Personnel Cabinet divisions with proposed updates or changes to the Personnel Cabinet Retention Schedule. Served as the Cabinet's Ethics Officer and reviewed all outside employment requests and internal ethical considerations.

▲ Kentucky Employees' Health Plan - Administration

Provided daily legal advice to Department of Employee Insurance (DEI) as administrator of the Kentucky Employees' Health Plan (KEHP). Attended the Kentucky Group Health Insurance Board (KGHIB), Advisory Committee, and Kentucky Retirement System's board meetings. Provided presentations to KGHIB regarding the ACA Employer Reporting requirements. Assisted in developing administration rules and amending the Administration Manual for use by Insurance Coordinators and Human Resource Administrators. Drafted and reviewed RFPs and RFIs for DEI services. Negotiated and drafted KEHP vendor contracts, contract amendments, MOAs, and business associate agreements with Anthem, CVS/Caremark, WageWorks, Vitals (Compass), AON, Truven, First Onsite, HumanaVitality, and other vendors. Assisted DEI with the implementation of five new vendors for 1/1/15. Negotiated contract termination transition rules/agreements for vendors whose contracts terminated 12/31/14 including Humana and Express Scripts. Assisted with preparation for the 2015 Open Enrollment. Drafted new policies and forms for use during Open Enrollment. Filed Kentucky Employees' Health Plan Summary Plan Descriptions for 2015 with LRC following review by the Cabinet for Health and Family Services.

▲ Kentucky Employees' Health Plan - Compliance

Counseled DEI on annual audits. Researched, provided legal analysis, and drafted proposed compliance plans, regarding the ACA Employer Reporting requirements. Conducted legal analysis of various guidance and regulations produced by the U.S. Department of Labor, the IRS, and HHS implementing the Patient Protection and Affordable Care Act (H.R. 3590) (the "Reform Act") as amended by the Health Care and Education Affordability Reconciliation Act of 2010 (H.R. 4872) (the "Reconciliation Act"). Provided guidance and assisted with the reporting and payment of the federal Transitional

Reinsurance fee on behalf of KEHP. Provided legal analysis of wellness regulations proposed by the EEOC. Presented information regarding federal health care reform to interested parties. Drafted FAQs and other guidance regarding health care reform for employers participating in KEHP. Provided legal advice and assistance regarding compliance with federal laws, including IRS and the Department of Labor rulings affecting KEHP. Continued drafting and updating HIPAA Security and Privacy Policies for KEHP, a covered entity. Participated in a HIPAA risk assessment for KEHP. Assisted in developing procedures for addressing security incidents that impact HIPAA and KRS 61.931 -934 (HB 5). Reported security incidents impacting protected health information to the US Department of Health and Human Services.

---

---

## Department of Human Resources Administration

---

### Who we are

---

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

---

### Program Spotlight

---

Effective March 15, 2015, pursuant to recommendations issued by the Smart Government Initiative, DHRA revised the mandatory direct deposit policy to include all individuals hired on or after Jan. 1, 2015, paid through KHRIS, within both the judicial and executive branches. State active duty and day laborers remain exempt from this policy. The use of electronic salary statements remains mandatory for direct deposit users. In support of this policy, DHRA participated in the Request for Proposal (RFP) process with the Finance and Administration Cabinet's Office of Procurement to secure a pre-paid debit card service. (That contract was awarded to Bank of America/Merrill Lynch.) This service was intended to provide a customized pre-paid debit card solution for a variety of potential programs across the Commonwealth. The Personnel Cabinet is the first to utilize this new service and subsequently implemented the new Payroll Card Program, as a direct deposit alternative to enrolling with a personal bank account, for payroll purposes.

This requirement is a final step towards maximizing the utilization of electronic payments and minimizing the number of paper checks and pay stubs issued by the Commonwealth. The use of direct deposit and ESS, instead of paper checks and stubs, results in cost savings to the state by reducing purchasing, processing, distribution, and operational costs. Employees also benefit as confidential payroll information is made more secure and is immediately available on payday regardless of vacation, illness and/or inclement weather.

---

### Accomplishments

---

#### Kentucky Transportation Cabinet engineers series

The 2014 legislative session directed the Transportation Cabinet and the Personnel Cabinet to develop a plan to make transportation engineer salaries competitive with those in surrounding states and private entities. This was an effort to resolve the recruitment and retention issues that had been plaguing the Cabinet. The two cabinets presented a proposal to the legislature justifying the need for salary

---



improvement for engineering classes and recommended a combination of salary grade changes and special entrance rates. New salary rates became effective June 16, 2015.

For several years the Department of Corrections has been facing growing problems in staffing correctional facilities in maximum, medium, and minimum security facilities. Salaries have not been competitive for some time and the result has been an increase in both recruitment and retention of correctional officers. Local correctional facilities are paying more than state facilities and, without a salary incentive, employees are turning elsewhere for employment. A survey of southeastern states showed Kentucky near the bottom in entry-level salaries. The Personnel Cabinet proposed special entrance rates for each level in the correctional officer series (CO, sergeant, lieutenant, captain I and II) and worked with the Office of the State Budget Director to identify the cost of this increase and to assure the availability of funds. Effective 6/16/15 special entrance rates were implemented for each level in the series.

### Department of Human Resources Administration

---

#### ▲ Communications

DHRA is responsible for providing oversight and guidance to agencies on the administration of HR as well as processes involving KHRIS and Career Opportunity Systems (COS). In support of this, 12 issues of the “KY-HR: Policy and Procedure Publication” were created and distributed to agency HR staff. Additionally, DHRA continued to maintain the Personnel Cabinet’s Human Resource (HR) website for agency HR staff.

#### ▲ Employee

DHRA is responsible for disseminating relevant HR information to state employees. This is accomplished through a variety of ways, though most regularly through the KHRIS Employee-Self Service welcome screen. Twenty-four advertisements were coordinated for this space just this year, while DHRA also continued to support and maintain information on the Personnel Cabinet’s employee and career’s website, to include the Employee Handbook.

#### ▲ Payroll Delivery

Aside from the regularly scheduled execution of the state payroll, DHRA successfully implemented a deferral of the June 30, 2015 pay to July 1, 2015, as mandated by the 2014-2016 Budget Bill passed by the General Assembly.

#### ▲ Performance Management

As part of the oversight of the statewide Performance Management Program, DHRA performed audits on 3-10 percent of each Cabinet’s employee performance evaluations for a total of 800. To successfully support this program, “Performance Matters” training on the employee performance evaluation system was conducted for 347 evaluators and interested employees.

---

#### ▲ Record Retention

DHRA provides continued oversight of the Cabinet's Records Retention schedule. Quarterly reviews were performed and DHRA assisted all areas with the creation and/or change process as necessary. DHRA also facilitated meetings and coordinated assistance from KDLA and provided guidance throughout the year on adherence and interpretation of the schedule.

#### ▲ Training (Agency)

In addition to DHRA's responsibility to provide necessary HR process and system information to agencies, DHRA is also responsible for delivering training to agency HR staff required to perform HR functions within the Kentucky Human Resource Information System (KHRIS). Many division staff members are involved in these classes as trainers and subject matter experts. Trainings are offered to new employees in addition to current employees wishing to re-take the course(s) as a refresher. Counts of employees trained per course, for the reporting period, are:

- Human Resource Generalist – 51
  - Benefits Administration Refresher – 9
  - Organizational Management Refresher - 3
  - Personnel Administration Refresher - 3
  - Time Management Refresher - 5
  - Payroll Refresher – 5
- County Fees/Human Resource Generalist – 19
- County Fees/Payroll 200 - 3
- Time Keeper – 124
- Time Administrator – 53
- Organizational Management 200 (New!) – 92
- Personnel Administration 200(New!) – 44
- Payroll 200 – 9

#### ▲ Training (Employee)

Through various avenues, DHRA has always provided reminders to employees on a number of HR issues. During this last year, DHRA expanded that by developing and launching an online Accurate Time Reporting course for all state employees. This course, in addition to Security Awareness (presented by COT), is now required for all new employees. Current employees are required to complete both courses by the end of the 2015 calendar year. DHRA consists of the following divisions:

#### [Division of Career Opportunities \(DCO\)](#)

This division's responsibility is to operate a centralized applicant and employee certification program, operate the state register programs, including the administration of layoff plans and reemployment lists as required by KRS 18A.113 through KRS 18A.1132 and KRS 18A.115, 18A.130 and 18A.135, and coordinate outreach programs such as recruitment and administrative internship programs. DCO consists of the following branches: HR Certification, Applicant Services, and Register.

Division accomplishments include:

▲ Customer Service

- DCO handles a large variety of customer service tasks, including:
- Walk-ins (Assisting applicants in the computer lab): 175
- Previous applications- accessing/copying/providing copies from legacy system: 27
- Career Opportunities System (COS) helpdesk email responses: 3,868
- Phone calls (Applicant Services): 14,718
- Veterans assisted: 822
- Veteran's preference assigned: 1,051
- Veteran's outreach emails sent: 2,813
- Total applicants in COS: 250,781 [New applicants: 25,646]
- Merged accounts identified: 137
- Job submissions: 330,760
- QA reviews (performed on selected candidates prior to appointment): 9,129
- Applications reviewed for minimum qualifications (MQR): 48,881
- Applications reviewed for immediate fill registers: 13,603
- Rejections processed on 10-day postings (MQRs): 3,041
- Registers certified- 10-day postings: 6,678 / immediate fills: 1,455

▲ (Applicants/Employees)

DCO oversees the statewide hiring process and plays a large part of an applicant's job submission/hiring experience. In an effort to gauge customer satisfaction for the purpose of improving upon those practices, DCO conducted an online survey by targeting COS users who had been active during a 6-month period to provide feedback and suggestions. The response was great and they will work to implement some recommended changes during the next Fiscal Year.

▲ Agency-HR and Managers

As the administrator of the Career Opportunities System (COS), DCO continuously provides agency customer outreach with COS training and presentations, DCO liaison consultations and COS user group meetings. Additionally, new information and resources were added regarding the merit system hiring process in the KHRIS Manager Self-Service (MSS) portal, to better assist management staff.

▲ Projects

DCO works closely with the other divisions on different business needs. As part of a classification project, DCO participated in the process to revise or establish class specifications with the Division of Employee Management's (DEM), Classification and Compensation Branch.

### ▲ System Support (Business)

Administering COS also requires technical support. DCO implemented enhancements to improve the online experience of COS applicants, agency customers, and internal system users. DCO further supported the system and its users by creating addition trouble-shooting guides, an applicant tutorial and adding password recovery functionality.

DCO also continued to participate in IBM Kenexa BrassRing phone conference on Cloud for user groups to share experiences, compare service from the vendor and champion future design considerations.

### ▲ Recruitment

DCO participates in various recruitment efforts for state agencies. To assist in providing better recruitment opportunities for non-18A state government agencies, DCO added new web content to the careers.ky.gov website for agencies like the Administrative Office of the Courts and the Kentucky Housing Corporation,.

Additionally, DCO participated in 12 (four veterans and eight regular) recruiting events and career fairs to address specific recruiting needs of hiring agencies. They also attended several events with staff from the Office of Diversity and Equality to support minority recruitment. Additionally, they partnered with the Office of Employment and Training at events designed to assist veterans with their employment and training needs.

## Division of Employee Management (DEM)

This division is responsible for executing the state payroll, for processing personnel actions for Chapter 18A, Chapter 16, Department of Education- Adult and Technical Education, and LRC, for maintaining employees' official personnel file, overseeing and monitoring compliance of the Employee Performance Evaluation System, and for classification, and compensation. The Division is also responsible for implementing lay-off plans, monitoring and assisting agencies in complying with the provisions of the Fair Labor Standards Act (FLSA), and the review and implementation of reorganizations.

DEM consists of the following branches: Organizational Management, Classification and Compensation, Personnel Administration, and Payroll. Division accomplishments include:

### ▲ Desk Audits

To ensure that employees were properly classified, DEM completed 13 classification desk audits, two of which were board ordered.

### ▲ Job Specification Changes

DEM is responsible for maintaining the specifications of jobs used by state agencies. This is a Constant project and at times other areas assist in this review. Based on those ongoing reviews during the current reporting period the following changes took place:

- Abolished 10 classifications
- Revised 342 classifications (210 related to revision of driver's license wording)

- Established 14 classifications

#### ▲ Personnel Action Processing

DEM is responsible for the final processing of all HR actions. Over the course of this reporting period, DEM reviewed and approved 28,905 individual personnel actions. 30,676 annual increments and 5,143 probationary increases were processed primarily through mass upload. The total number of personnel actions processed for this Fiscal Year total 64,724. In addition to this figure, 2,959 organizational mass uploads were processed requiring the Personnel Administration Branch to monitor and expedite employee actions for accurate salary calculations.

#### ▲ Personnel Files/Records

DEM is responsible for the maintenance of all personnel records. During this current reporting period, 14,500 records were scanned into these files. These documents are typically multiple pages in length and consist of supporting documentation to personnel actions, written reprimands, records inspection documents, etc. Additionally, this year, DEM's Personnel Administration Branch led an audit of the FileNet electronic filing system to ensure proper storage of employee information.

#### ▲ Reorganizations

DEM is responsible for the implementation of agency reorganizations. During this current reporting period, 26 were implemented. As a part of that process, statewide agency organizational charts were also maintained.

#### ▲ Salary Surveys

To stay knowledgeable of current compensation practices in surrounding states and in an effort to remain competitive, DEM participated in 46 salary surveys from states within the National Compensation Association of State Governments as well as the AFT Survey and the Book of the States Survey from the Council on State Governments. DEM also participated in 3 annual surveys on salaries, pay practices, and benefits conducted by the National Compensation Association of State Governments.

#### ▲ Service Verifications

With the responsibility of maintaining employees' official personnel files, DEM is also responsible for providing verifications, based on those official records. 548 service verifications were completed during this review period. 184 of them verifications were provided to the employee and/or employing agency. 364 were provided to Kentucky Retirement Systems for the purpose of verifying retirement eligibility. These verifications require research using multiple resources, including the Kentucky Human Resources Information System, the legacy payroll system, and electronic employee records, as well as the microfilm and microfiche stored for historical purposes. DEM also provided approximately 1,727 verifications of employment. These are typically provided to companies considering employees for loan approval.

#### ▲ State Payroll

Responsible for executing the state payroll, DEM processed \$1,628,634,819.91 in payroll for an average of 42,124 employees during this review period. As a result, DEM was successful in preparing and disseminating 49,446 Wage and Tax Statements (W-2) for 2014.

#### Division of Technology Services (DTS)

This division is responsible for the design, development, implementation, and ongoing support of Cabinet information technology (IT) and projects which impact internal and external human resource administration initiatives. DTS consists of the following branches: Access Control, Application Development, System Analysis, and Systems Integration. Division accomplishments include:

#### ▲ ACA Support

Vested with providing technical support to DHRA business needs, the new Affordable Care Act (ACA) required DTS to conduct in-depth research for understanding of the federal regulations regarding ACA reporting. As a result, DTS implemented ACA indicator tracking and reporting for non-Commonwealth Kentucky Employees' Health Plan (KEHP) members.

#### ▲ IT Security

Responsible for ensuring proper system and user security, DTS launched the iSTEP portal to train and educate users electronically on the Cabinet's IT and IT security policies and procedures which includes an ongoing awareness program. Also responsible for ensuring that same level of security with third-parties with whom we share data, DTS implemented new policies and procedures to ensure tighter controls around Personnel Cabinet data file transfers through sftp a secure server protocol with those third-parties.

#### ▲ IT Support

DTS maintains a ticketing system to track the technical support they provide. During the current review period, DTS supported 5,725 IT-related incident tickets. Of those, 387 were change requests for HR systems, while 5,338 were logged as DTS incidents for access requests, production support requests, defects, staff work task requests, and desktop/IT support. In support of the Smart Government Initiative's IT Consolidation, DTS completed the I.3 Migration to consolidate infrastructure and desktop services to COT. DTS further provided assistance to COT for implementation planning for Identity Access Management (IAM)

#### ▲ System Support

##### KELMS

DTS participated in a joint project with GSC to implement the Kentucky Enterprise Learning Management System (KELMS) with integration from KHRIS for source data.

##### KHRIS

Responsible for providing ongoing support and ensuring KHRIS is maintained in a way that allows for future upgrades, DTS successfully implemented SAP Enhancement Pack version 7 software.

DTS also completed the following projects:

- Initiated Administrative Office of the Courts (AOC) project to implement all AOC HR Processes in KHRIS with a targeted go live of May 5, 2016
- FHWA equipment usage enhancements completed for KYTC
- Design of ESS Self-Entry Time in prep for a pilot of self-time entry in Q4, 2015
- Successfully designed, implemented and supported DEI's Benefit-related vendor changes, including 18 new or changed interfaces

Prepared KHRIS ESS for the mandatory Open Enrollment for the 2015 KEHP Plan Year that included a redesign of Open Enrollment screens in KHRIS as well as provided a helpdesk for technical support and assisted the rest of the Cabinet in assisting members with ID and password issues. Migration of SolMan and the KHRIS Training environment to Windows to save \$35,000 per year on hosting fees.

---

## Department of Employee Insurance

---

### Who we are

---

KEHP is a \$1.8 billion, self-funded health insurance program which provides benefits to nearly 260,000 public employees and their dependents. DEI also operates a Flexible Spending Account Program for public employees.

DEI's objectives are to:

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

### Commissioner's Office

---

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

### Division of Insurance Administration

---

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

### Member Services Branch

---

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

---



Coordinators (ICs), Human Resource Generalists (HRGs) on KEHP Administrative Policies and Benefits, and assisting other departments as needed.

### Enrollment Information Branch

---

The Enrollment Information Branch (EIB) is responsible for assisting members, ICs and HRGs throughout the year with KEHP policies and procedures concerning eligibility and enrollment; processing qualifying event changes for members; processing health insurance applications, researching and correcting internal and external vendor reports to ensure accurate data in all systems on all members related to demographics, health insurance coverage, health reimbursement accounts, flexible spending accounts; and attending benefit fairs to answer member questions. They also train ICs and HRGs on processing benefits in the Kentucky Human Resource Information System (KHRIS). They work with all KEHP vendors to verify member and dependent eligibility.

### Division of Financial and Data Services

---

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

### Financial Management Branch

---

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

### Premium Billing Branch

---

The Premium Billing Branch (PBB) is responsible for collecting health insurance and life insurance premiums, administrative fees, and flexible benefit contributions that process through the Kentucky Human Resource Information System (KHRIS) by each agency participating in KEHP. This is accomplished by creating monthly invoices for participating agencies, contacting insurance coordinators on a monthly basis to help resolve discrepancies, reconcile accounts, providing training and serving as a liaison to ensure the agencies' needs are met.

---

---

---

## Data Analysis Branch

---

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

---

## Program Spotlight

---

### LivingWell Promise Grows Wellness Awareness

In calendar year 2014, KEHP introduced health insurance plan options which included a wellness component. The four health insurance plan options available in 2014 were the LivingWell Consumer Driven Health Plan (CDHP), the LivingWell PPO, the Standard PPO and the Standard CDHP. The LivingWell Promise is an agreement from the planholder to complete the HumanaVitality Health Assessment between January 1, 2014 and May 1, 2014, and to keep contact information in the Kentucky Human Resource Information System (KHRIS) current. In return for fulfilling the promise, planholders are eligible to choose from a LivingWell health insurance plan option which offers better benefits in the form of lower member coinsurance, lower deductibles, and lower out-of-pocket maximums. The two standard plan options do not contain a LivingWell promise. KEHP had a 97 percent success rate in members fulfilling their LivingWell promise. In turn, KEHP members are now more aware of their health status and concerns. Awareness is key to making lifestyle changes.

In 2015, KEHP continued the LivingWell Promise, but provided an option to the member to either complete the HumanaVitality Health Assessment or to receive a biometric screening (Vitality Check) between January 1, 2015 and May 1, 2015. KEHP had another very successful completion rate of 97 percent.

Completing the LivingWell Promise is helping members become more engaged with their overall well-being by moving a step forward in their health status. Members with Vitality Silver Status increased to 21,536 members, as well an increase in using more health tracking devices, up to 15,244 members. As of June 24, 2015, approximately 151,000 Health Assessments and Vitality Checks were completed.

---

---

## Accomplishments

---

### ▲ Plan Savings with New Vendor Implementation

KEHP issued a request for proposal (RFP) as contracts with vendors were sent to expire December 31, 2014.

The process resulted in no changes with two vendor partners and a change with others. The plan continued to have HumanaVitality as the wellness vendor and Compass (now Vitals) SmartShopper as the transparency vendor. Effective January 1, 2015 the other new vendors are:

1. Anthem Blue Cross Blue Shield (Anthem) – medical plan administrator
2. CVS/caremark – pharmacy benefits manager
3. WageWorks – administrator for Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs) and COBRA

RFP savings projections were 7.5percent of total expenses: Medical – 5.5percent, Rx - 1.8percent, and FSA/HRA/HIPAA/COBRA - 0.2percent.

Due to lower plan medical and pharmacy expenses, improved member consumerism, and continued wellness participation KEHP will be able to offer members no premium increases and the same health plan options and coverage levels as 2015 for the 2016 plan year.

### ▲ Diabetes Prevention Program a Covered Benefit under KEHP

KEHP offers eligible members the opportunity to attend a Diabetes Prevention Program (DPP) to help lower the risk of Type 2 Diabetes. Members may participate in an approved DPP for free and it may improve their health through stress reduction, weight loss and increased physical activity with the support of a certified lifestyle instructor. Members receive individual and group support while improving their health and reducing their risk. During this period, 242 KEHP members were referred to a DPP, and 149 KEHP members are actively participating in a class.

### ▲ LiveHealth Online

On June 1, 2015, KEHP launched LiveHealth Online, a telehealth benefit available at no cost to members. KEHP members can contact a doctor 24/7 for health concerns such as cold and flu symptoms, allergies, sinus infections and more. If needed, LiveHealth Online can also submit a prescription request. As of June 30, 2015, KEHP members had 141 doctor visits through LiveHealth, and 4,701 members had registered.

### ▲ Increased Migration to Consumer Driven Health Plans

In Plan Year 2015, more than 140,000 members were covered by a Consumer Driven Health Plan (CDHP) versus 28,500 in 2013. This represents significant savings for the plan as well as an increase in member education related to health insurance related costs.

---

#### ▲ HIPAA Privacy and Security Risk Assessment and Policy Review

KEHP is working with an outside consulting firm on a comprehensive review of the physical, administrative and technical safeguards of the protection of individually identifiable health information maintained by the Personnel Cabinet, COT and KEHP. Additional, KEHP will update its policies to improve safeguards of KEHP member information.

### Division of Insurance Administration

---

#### ▲ Open Enrollment

To support an active enrollment for more than 170,000 planholders and their dependents, KEHP conducted 24 benefit fairs across the Commonwealth, and offered computer kiosks at 24 locations to assist members with online enrollment. More than 8,000 members attended the benefit fairs and more than 3,000 flu shots were given. Biometric screenings were also provided at all benefit fairs.

Over 10,000 Open Enrollment applications were manually entered. More than 41,000 calls related to system support, password reset and plan benefits were taken during the three-week Open Enrollment period.

Staff traveled across the Commonwealth to provide Open Enrollment training at ten sites to Insurance Coordinators (ICs) and Human Resource Generalists (HRGs).

#### ▲ LivingWell Tour

KEHP conducted 32 tours across the state to promote the LivingWell Promise and to provide access to biometric screenings, helping members complete their LivingWell Promise commitment.

### Division of Financial and Data Services

---

#### ▲ Management of Multiple Vendors

Files were managed for funding, enrollment, claims and daily work for previous vendors, while handling the implementation of new vendor processes, documentation, files, coding, reports, testing and Open Enrollment planning, implementation and testing.

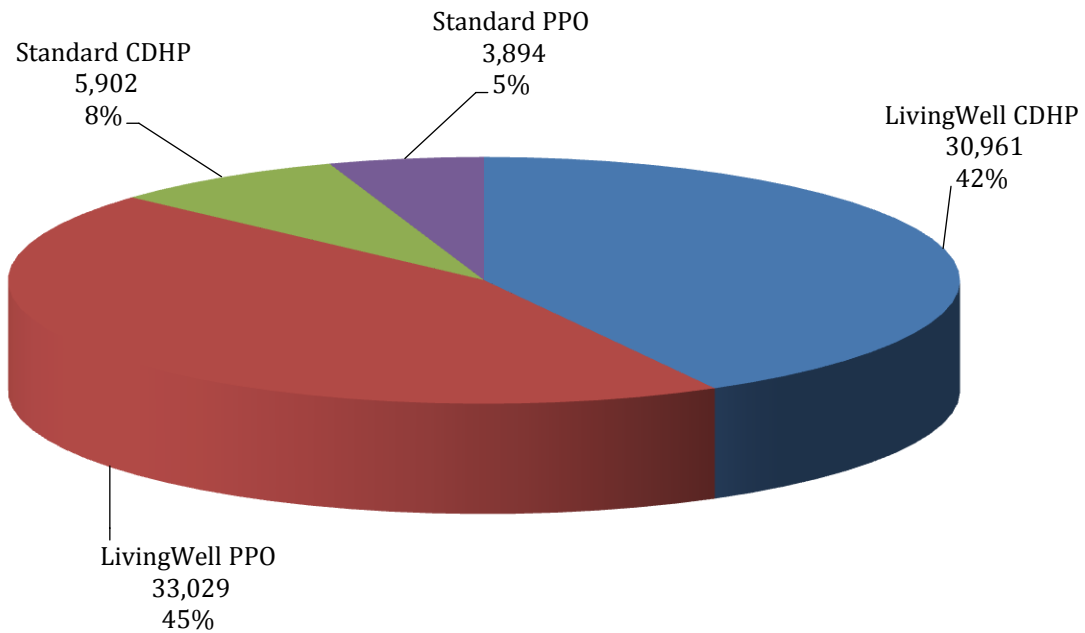
#### ▲ Financial Management

Managed daily operations of reconciliation, payments, funding, reports and banking of previous vendors, while managing the implementation for the new vendors' banking processes, process documentation, reporting, funding templates, new ASO fee processes, and claims reconciliation processes, while working with calendar year end financial reconciliation.

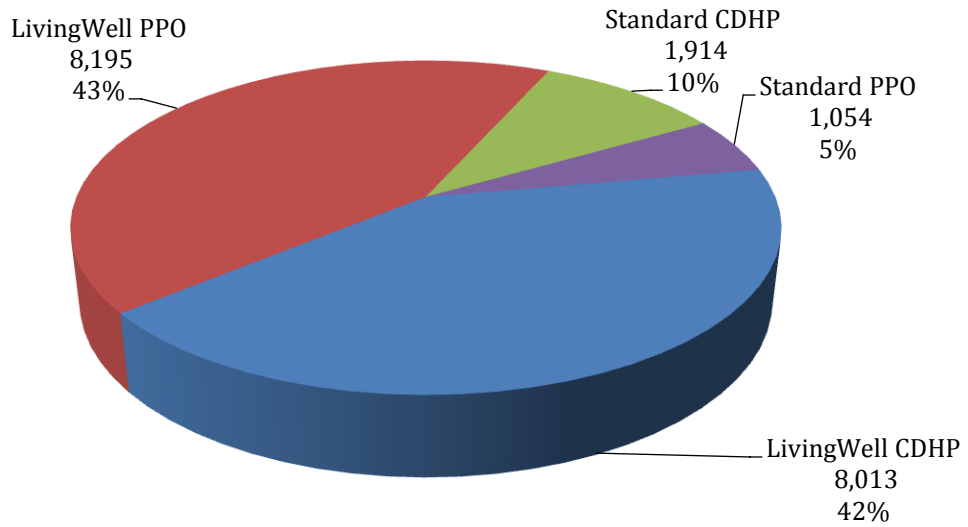
▲ Premium Billing

Managed daily billing and premium reconciliation, reporting, and customer service for health premiums, flexible spending accounts, and health reimbursement arrangement contributions and administration fees.

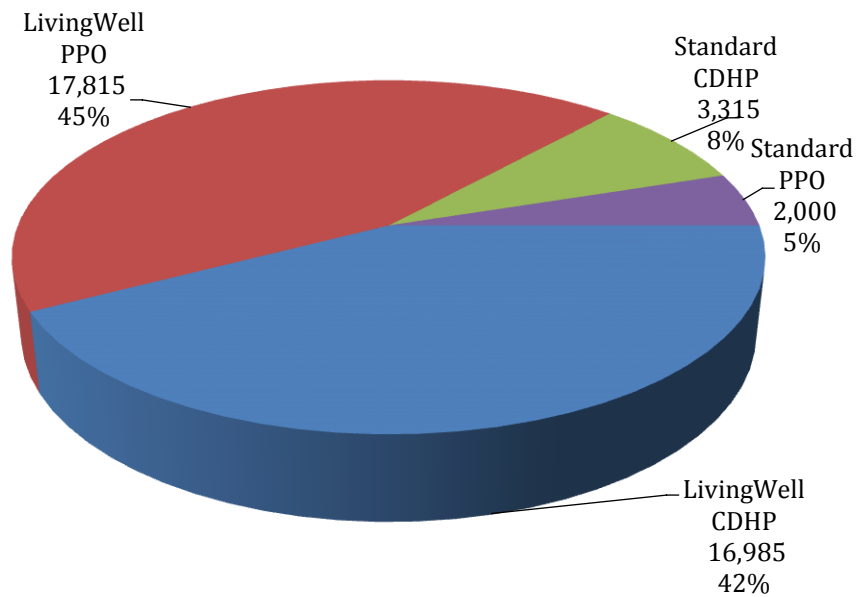
### Planholders by Plan



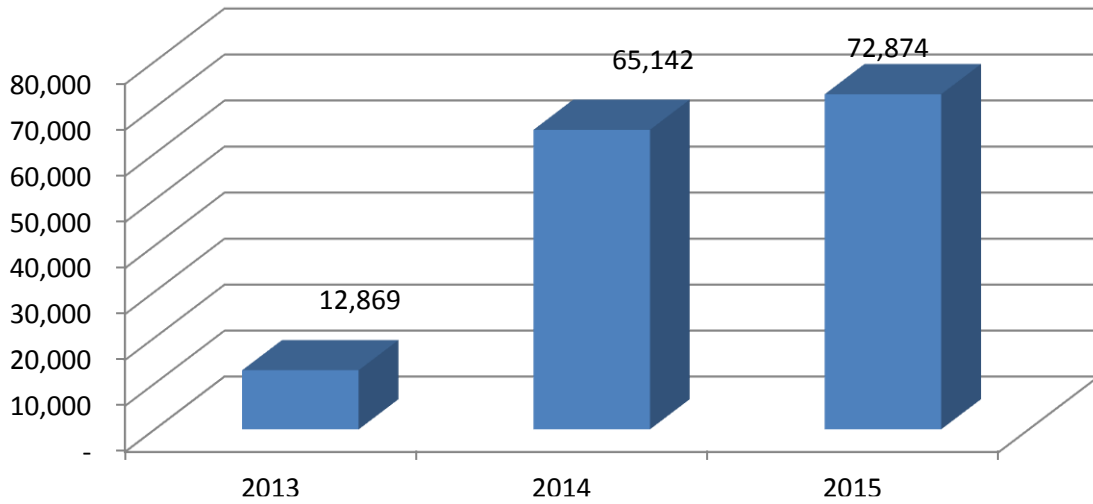
## State Agencies Enrolled by Plan



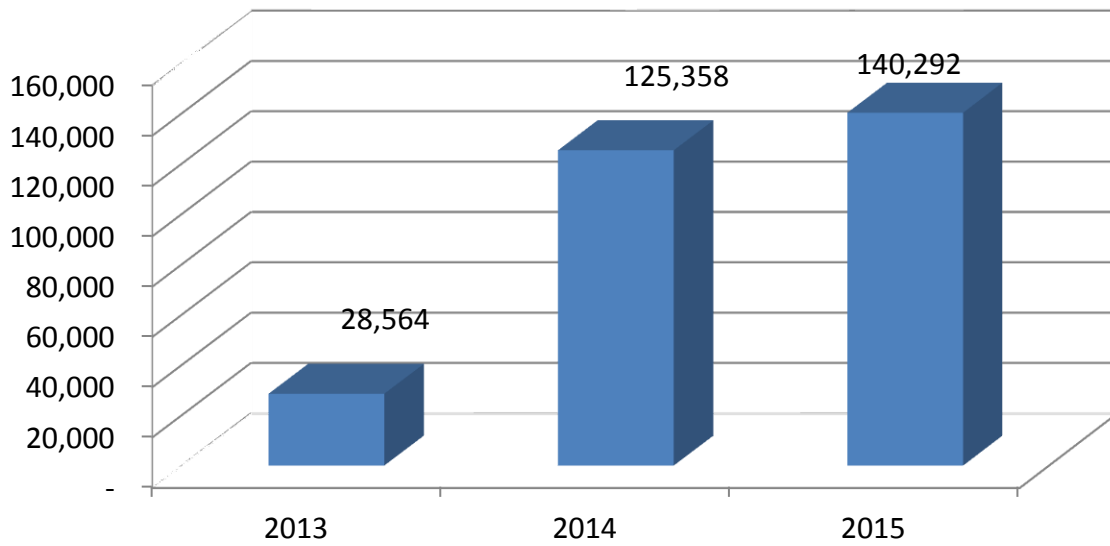
## School Boards Enrolled by Plan



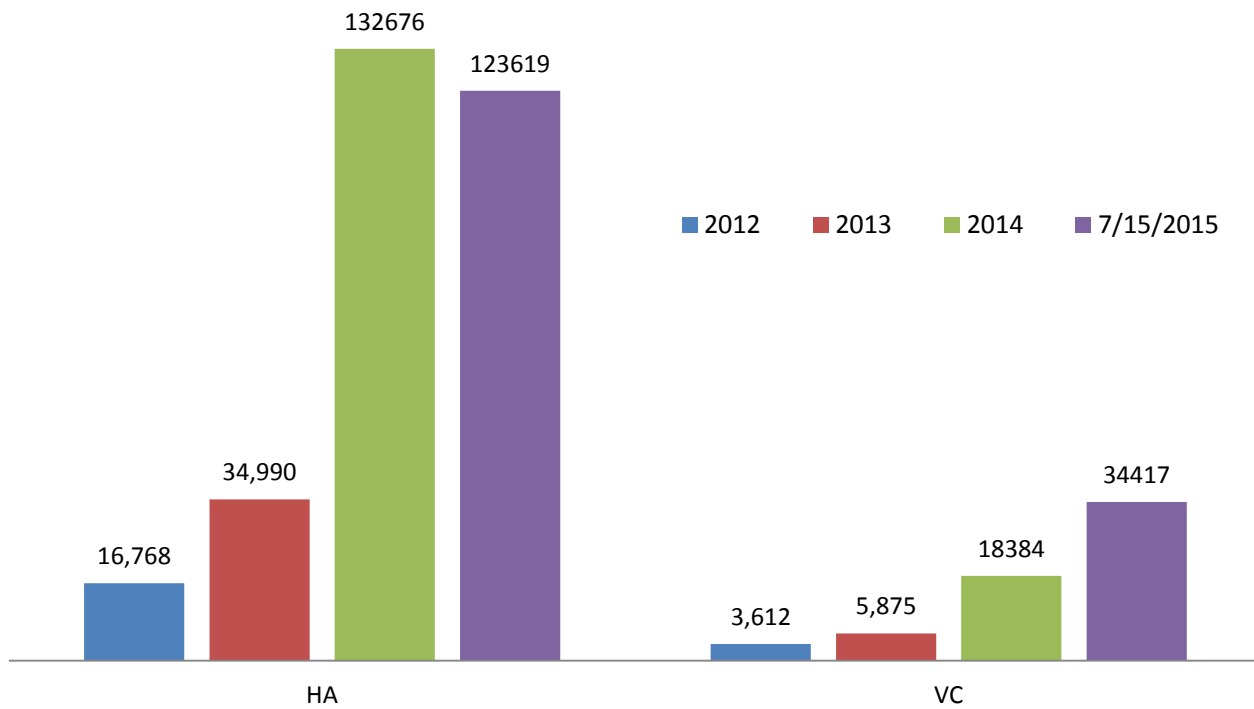
**Plan holders in CDHP**



**Covered lives in CDHP**



Annual Growth in HumanaVitality Health Assessments (HA) and Vitality Checks (VC) as of 7/15/15





# Kentucky Public Employees' Deferred Compensation Authority

---

## Who we are

---

The Kentucky Public Employees' Deferred Compensation Authority (Authority) is the state agency authorized by the Kentucky Revised Statutes to administer the national award-winning voluntary supplemental Internal Revenue Code Sections 457 and 401(k) defined contribution plans sponsored by the Commonwealth. This program is available to all state, public school and university employees and employees of local political subdivisions electing to participate. The Authority currently has over 76,000 participants and in excess of \$2.6 billion in assets.

Our organization consists of the Office of the Executive Director and the following five branches:

- 1) Member Services Center
- 2) Deposits and Records
- 3) Receipt Reconciliation
- 4) Administrative Services
- 5) Marketing and Communications

The staff size of the Authority includes 29 full-time merit employees and one full-time non-merit employee. Authority staff reports to the Authority's Board of Trustees (Board) consisting of seven members (four governor appointed members and three ex-official members). The Authority is, however, attached to the Personnel Cabinet for administrative purposes, only. By statute, the Authority is self-supporting and receives no revenue from the state's general fund.

Specifically, the Authority is responsible for making available to eligible employees a retirement savings plan which offers a diversified menu of well-known and high quality mutual funds at a low cost. Through payroll deduction the Authority collects both pre and after-tax contributions and forwards them to the third-party record keeper for investment. Further, the Authority provides participants services such as payout assistance, help with making personal investment changes, informative communications, plan loans and enrollment assistance, etc.

---

## Program Spotlight

---

During this past year the Authority completed a total reorganization of staff. This included the elimination of the three existing branches and the introduction of five new branches which better define and serve the needs of our participants. It had been approximately 18 years since the structure of the Authority had been previously addressed. With the reorganization the Authority has adopted many of the "best practices" of

---

deferred compensation programs of similar size and complexity. The changes made have enabled the Authority to add administrative efficiencies which were much needed. The changes have also made us a more effective organization in servicing our participants. For example, we can now reconcile participant deferrals and forward them to the record keeper for investment in one day. Previously, it took a minimum of several days to complete the investment process. We also have added a state-of-the-art automated telephone system which has dramatically enhanced staff's ability to expediently assist participants and employers who call the Authority office. Instead of forwarding them to a single receptionist to answer, incoming calls are now immediately systematically screened and forwarded directly to the proper branch for assistance by a staff member. The reorganization has additionally afforded senior management the opportunity for succession planning. This will allow for seamless conversions as more senior staff members transition from active employment to retirement. This reorganization has been long in coming but proven to be well worth the wait.

---

## Accomplishments

---

### ▲ Participant Asset Fees

The Authority Board considered the need to take an action regarding participant asset fees and determined no changes should be made this year. Based on the Board's latest decision and prior years' fee reduction actions, the Board has now reduced participant asset fees in nine of the previous 19 years, resulting in 'recurring' annual asset fee savings to participants of approximately \$4.5 million. The total accumulated annual participant asset fee savings has now reached approximately \$55.5 million.

### ▲ Proposed New Office Building

Authority staff presented to the Board a proposal to seek authorization from the General Assembly to build or purchase an existing structure with adequate space for the current needs of the Authority as well as into the future. This proposal was subsequently and unanimously endorsed by the Board. The anticipated cost savings are to be gained through ownership as opposed to continuing a lease agreement with an ever increasing rental cost. The appropriate steps are now being taken to obtain the necessary approvals to proceed, beginning with Internal Revenue Service approval. Any real estate purchased (including modification, if necessary) will be a cash only transaction – there will **not** be any encumbrance on the facility. It is planned to obtain appropriate sponsorship and present statutory changes for consideration during the next session of the General Assembly. If we are successful in our pursuit of a new office building staff would expect to begin immediately to investigate an appropriate sight and have our new quarters ready for occupancy by late 2016 or early 2017. The Authority has adequate financial resources available to complete this necessary and exciting project.

### ▲ Fee Equalization Provision

Fee equalization is a relatively new concept being introduced by innovative defined contribution industry leaders such as the Authority. The intent of this provision is to ensure as much as possible that no participant bears an undue burden of the total administrative cost of this program. Retirement plan fiduciaries are responsible for how a plan's fees are allocated to participants and to do it "equitably". When mutual funds offer revenue sharing to defray plan administrative costs, the participants

---

participating in those funds are actually sustaining an additional fee. This occurs because participants without assets in these funds avoid the cost of revenue sharing and are thereby, receiving an administrative cost subsidy from participants investing in the funds paying the revenue sharing cost.

To eliminate the cost inequities created by revenue sharing, Authority staff recommended and the Board endorsed an approach which returns the revenue sharing fees (totaling approximately \$1,140,000 on an annualized basis) to the participants in those funds on a pro-rata basis. To replace a portion of the revenue lost by the Authority as a result of fee equalization, the Board also approved implementation of a new explicit monthly administrative fee of \$1.00 to be paid by all participants.

These changes are scheduled for implementation on September 1, 2015.

#### ▲ Advice/Managed Accounts

After many years of review and discussion, the Authority Board has adopted both a professional investment advice and managed accounts option for participant's consideration. The advice component is being made available as part of the Authority's record keeping contract with Nationwide Retirement Solutions, Inc. (NRS). The advice service component provided by Morningstar will evaluate personal data provided by the participant from which investment recommendations will be made. Morningstar then forwards the investment recommendations to the participant for their consideration. The participant must then make the decision to implement Morningstar's recommendation. There is no additional charge to the participant for this service. The managed account alternative is offered by NRS through a product entitled ProAccount. In offering this product, NRS has contracted with Wilshire Associates, an independent professional financial expert, to review personal data provided by the participant and develop as well as implement an investment strategy. Unlike the Morningstar advice product, Wilshire automatically implements the investment plan and modifies it as necessary for the participant. Another difference between the two products is ProAccount does assess participants a service fee. Both products are scheduled for release on September 1, 2015.

#### ▲ Continued Growth of Plan Assets and Participants

Despite a less than stellar economic environment, remarkably the Authority has continued to experience record breaking assets. To emphasize the magnitude of the Authority's growth and level of acceptance by eligible employees we are referencing the February 9, 2015 issue of *Pension and Investments* magazine which includes a survey of the top 1,000 pension plans (including defined benefit as well as defined contribution – both public and private). Currently, there are more than 50,000 retirement plans in the USA. The *Pension and Investments* survey ranks the Authority program 599<sup>th</sup> in the nation in terms of total assets with \$2.6 billion. This represents a gain of 16 positions and \$369 million in assets since last year.

The Asset Growth by Year table below shows 2014 plan assets, on a calendar year basis, were greater than for 2013 (2014 - \$2.556 billion vs 2013 - \$2.414 billion). Assets, on a Fiscal Year basis, have also increased significantly from \$2.470 billion as of June 30, 2014 to \$2.607 billion on June 30, 2015, representing a \$130 million increase.

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

Year	Assets
12/31/2001	\$892,252,657
12/31/2002	\$827,735,663
12/31/2003	\$1,002,971,334
12/31/2004	\$1,118,341,380
12/31/2005	\$1,248,596,528
12/31/2006	\$1,420,204,161
12/31/2007	\$1,591,275,093
12/31/2008	\$1,306,613,331
12/31/2009	\$1,605,287,634
12/31/2010	\$1,819,314,700
12/31/2011	\$1,855,891,203
12/31/2012	\$2,057,942,991
12/31/2013	\$2,414,047,743
12/31/2014	\$2,555,651,091
6/30/2015	\$2,607,316,440



The total participants by year table below reflects a trend of continued growth in the number of participants in the Authority program. The number of plan participants (with account balances) increased from 76,488 as of June 30, 2014 to a record 76,730 at June 30, 2015. This represents an increase of 242 participants as of the 2015 Fiscal Year end. The primary reasons for this growth were that during Fiscal Year 2015 the Authority retained its vigorous enrollment campaign program as well as an aggressive asset retention initiative.

**Total Participants by Year**  
(With Account Balances)  
6/30/2000 - 6/30/2015

Year	Participants
6/30/2000	51,099
6/30/2001	55,749
6/30/2002	58,756
6/30/2003	59,773
6/30/2004	62,437
6/30/2005	64,689
6/30/2006	67,490
6/30/2007	70,247
6/30/2008	73,884
6/30/2009	74,417
6/30/2010	75,675
6/30/2011	74,443
6/30/2012	74,211
6/30/2013	75,170
6/30/2014	76,488
6/30/2015	76,730





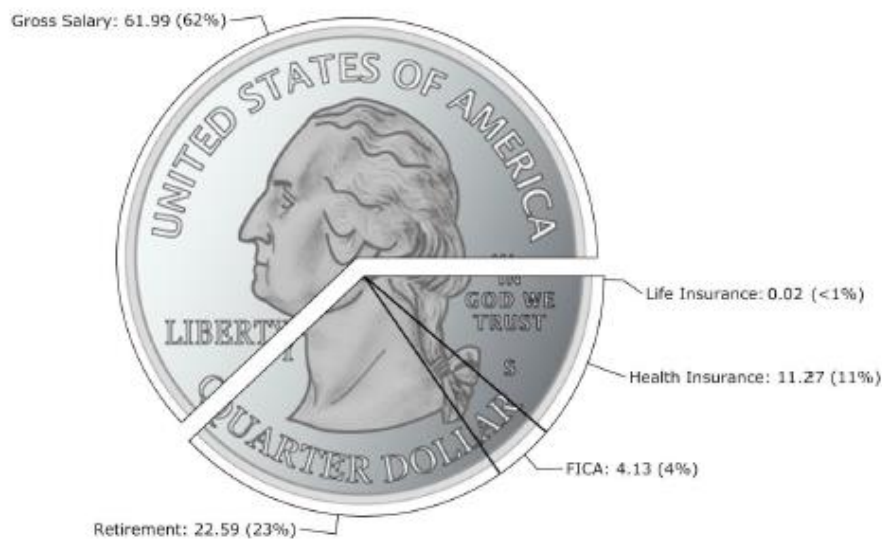
**EMPLOYEE COMPENSATION**

**Executive Branch**

(Excludes interims, as of JUNE 30, 2015)

<b>Average Gross Annual Salary</b>	<b>\$40,450.35</b>
<b>Average Employer Paid Annual Benefits</b>	
Retirement	\$14,741.66
FICA	\$2,699.01
Health Insurance	\$7,353.02
Life Insurance	\$ 12.98
<b>TOTAL Benefits</b>	<b><u>\$24,806.67</u></b>
<b>Average Annual Employee Compensation</b>	<b><u>\$65,257.02</u></b>

**Average Annual Employer Paid Compensation**



Gross salary: this is the average gross salary paid as of June 30, 2015

Retirement: this is the average employer share of retirement contributions paid as of June 30, 2015. Retirement is paid on gross wages and taxable benefits.

FICA: this is the average employer cost of FICA as of June 30, 2015. FICA consists of Social Security and Medicare contributions. The employer matches employee FICA contributions, up to the Social Security maximum. Social Security contributions are 6.2% of applicable wages, and Medicare contributions are 1.43% of applicable wages. Applicable wages are gross wages less deductions exempt from FICA, which include, for 2015, employee retirement contributions, pretax employee paid health insurance premiums, and employee paid flexible spending account contributions.

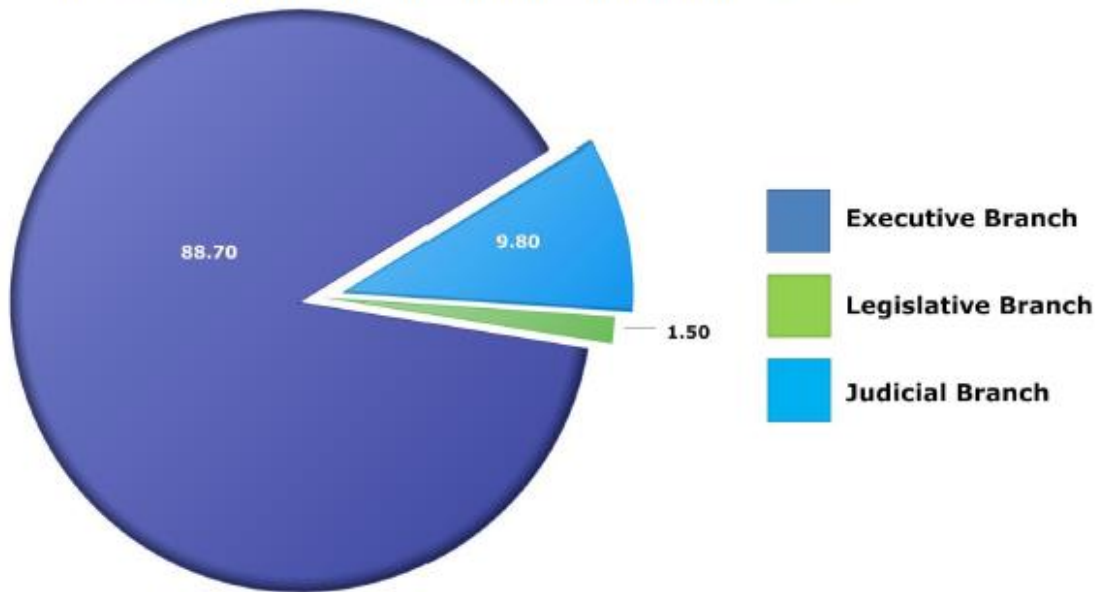
Health Insurance: this is the average employer cost for health insurance contributions as of June 30, 2015.

Life Insurance: this is the average employer cost for life insurance contributions as of June 30, 2015.

**STATE GOVERNMENT EMPLOYEE COUNT**

(Excludes interims, as of JUNE 30, 2015)

EXECUTIVE BRANCH .....	32,324
LEGISLATIVE BRANCH.....	545
JUDICIAL BRANCH .....	3,571



**Employee Status by Race and Sex**

(as of June 30, 2015)

