

Personnel Cabinet Annual Report 2003-2004



"A land of diversity - full of opportunity"

Ernie Fletcher
Governor

Robert Ramsey, Sr.
Secretary

2003-2004 Annual Report

Personnel Cabinet

All information contained in this report is as of
June 30, 2004

Prepared by:

**Division of Communications and Recognition
Personnel Cabinet
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ERNE FLETCHER
GOVERNOR

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PERSONNEL CABINET
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ROBERT RAMSEY, SR.
SECRETARY

September 30, 2004

Governor Ernie Fletcher
700 Capitol Avenue
Frankfort, KY 40601

Legislative Research Commission
700 Capitol Avenue
Frankfort, KY 40601

Personnel Board
28 Fountain Place
Frankfort, KY 40601

Dear Governor Fletcher, Legislative Research Commission and Personnel Board:

Pursuant to KRS 18A.030 (2)(l), I am pleased to submit to you the Annual Report of the Personnel Cabinet for the fiscal year ended June 30, 2004. This report will give you a thorough overview of the functional, statistical and historical information pertaining to the services provided by this Cabinet. We will be using these figures in conjunction with Governor Fletcher's "Strategic Planning Initiative" as the base audit from which to launch our strategic plan.

As you well know, only the last six months of the fiscal year covered in this report represent the new administration. During these months, we have taken several steps toward Governor Fletcher's goal of streamlining state government. As we move forward, our plan is to execute programs that will assist in the goal of making state government more efficient and effective.

One such step has recently taken place – the transfer of the Office of Government Training (formerly the Governmental Services Center) to the Personnel Cabinet. The Office of Government Training will assist in our efforts to streamline a wide variety of training by working diligently to implement Governor Fletcher's strategic plan for state government. This addition is just one of many that will move our Cabinet forward in the current fiscal year.

We look forward to working with our re-organized team to better serve the people of this Commonwealth, both internally and externally. We share the Governor's vision in promoting education, expanding our economic base and bringing the state back to economic prosperity. As we re-visit our mission and goals in the coming months, our overall initiative remains: We must restore hope in Kentucky. We know that by aligning the functions of this Cabinet with the goals of this administration, we can do just that.

Regards,

Robert Ramsey, Sr.
Secretary

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Core Values, Vision and Mission

CORE VALUES

- ◆ Customer Focused – We are committed to providing quality customer service. We strive to demonstrate responsiveness, sensitivity, and respect to those we serve.
- ◆ Equal Opportunity – We are committed to providing full and equal access to employment and other human resources services.
- ◆ Innovation – We are committed to promoting the proactive use of human resources, technology, and progressive thinking.
- ◆ Openness – We are committed to fostering an environment in which all people have access to the Commonwealth’s human resources programs and information.
- ◆ Integrity – We are committed to maintaining the highest ethical and legal standards that promote competence, accountability, and public trust.

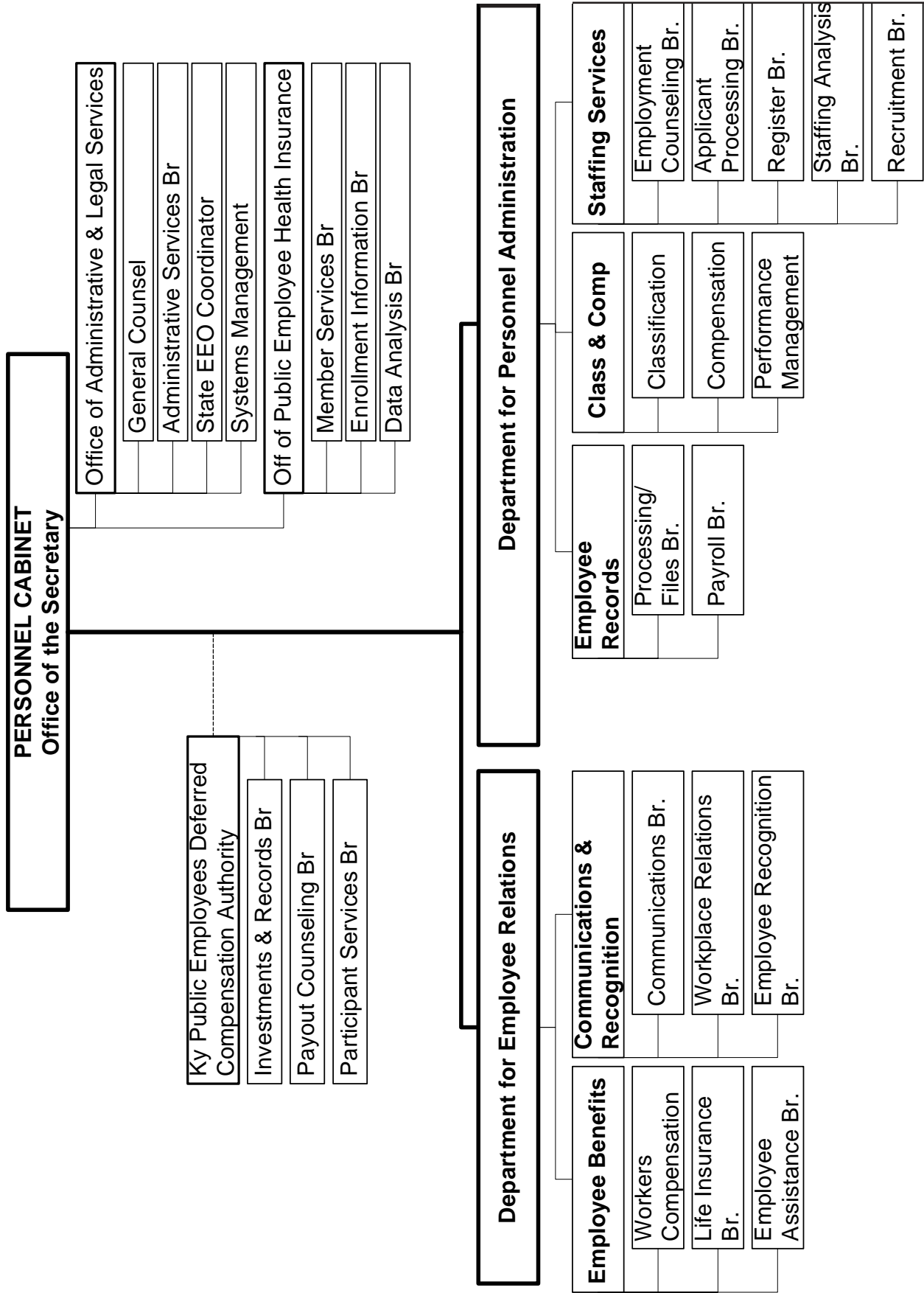
VISION

To serve as a national model for innovative, accessible, and responsive human resources services.

MISSION STATEMENT

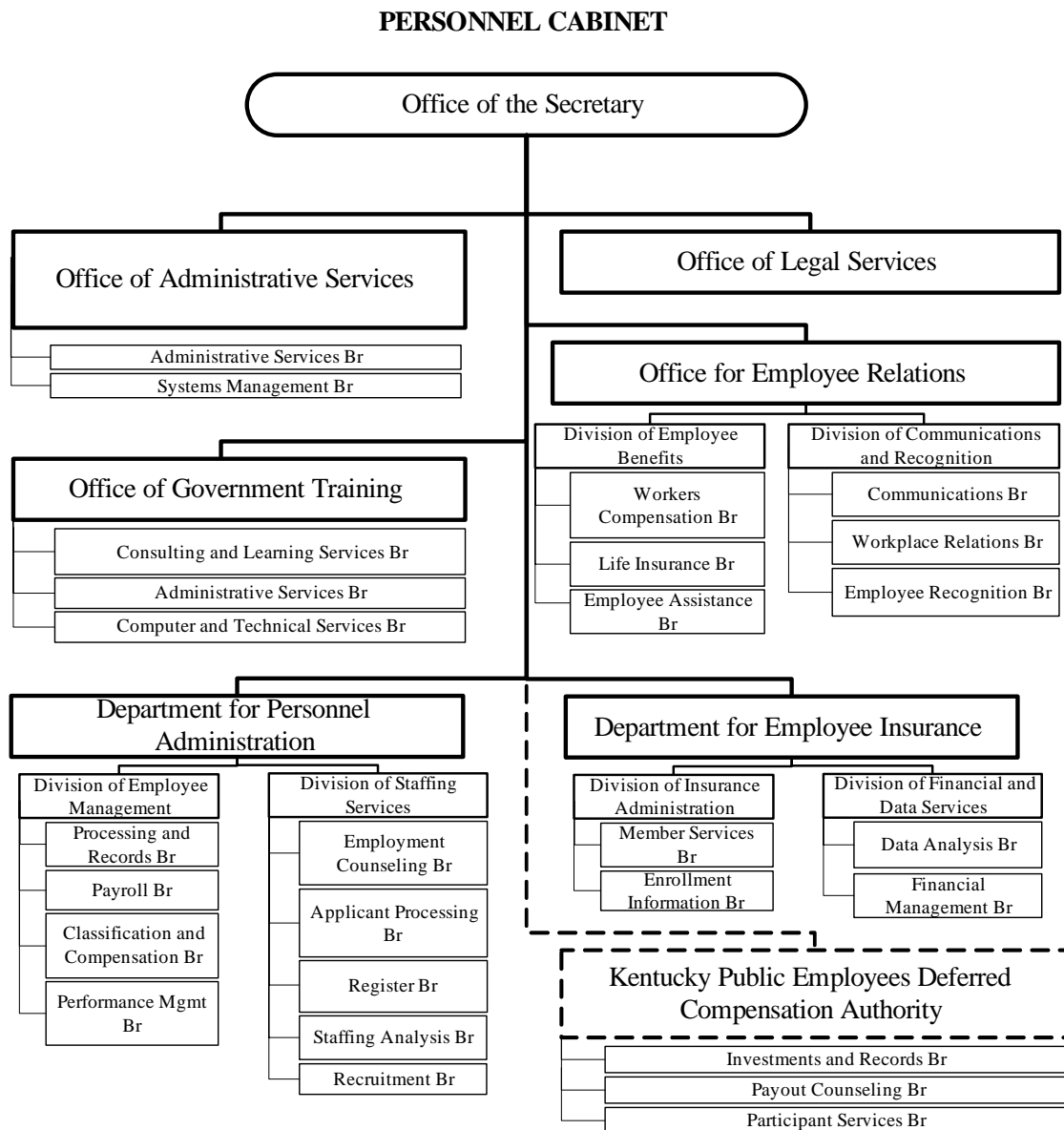
The Personnel Cabinet is dedicated to providing exceptional services and leadership for effective, efficient, and proactive human resources management systems.

Organizational Chart (FY 2003-2004)



Organizational Chart (Effective July 28, 2004)

Editor's note: The following organizational chart became effective on July 28, 2004, shortly after the 2003-2004 fiscal year ended. It is included here to avoid confusion regarding the current and former names of some work groups within the Personnel Cabinet. All groups are called by their current names throughout this report. The Office of Government Training was formerly known as the Governmental Services Center (GSC) in the Finance Cabinet, and is a new addition to the Personnel Cabinet.



Responsibilities

Office of the Secretary

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

Equal Employment Opportunity Unit

The Equal Employment Opportunity Unit monitors the progress of the State's Affirmative Action Plan and reports to the Cabinet Secretary semi-annually on that progress. The Unit also assists agencies in their recruiting efforts to meet or surpass the affirmative action goals, provides technical assistance to state agencies in the investigation of discrimination complaints and provides training on EEO, Diversity and Sexual Harassment Prevention.

Kentucky Public Employees Deferred Compensation Authority

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

Office of Administrative Services

The Office of Administrative Services is responsible for overseeing internal operations and personnel management for the Cabinet. In addition to coordinating IT (information technology) efforts at the cabinet level, the Executive Director serves as the Cabinet's Chief Information Officer (CIO) and represents the Cabinet in this capacity at the statewide level.

Administrative Services Branch

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

Systems Management Branch

The Systems Management Branch is responsible for overseeing the computerization of the Personnel Cabinet as well as for providing the technical support required to keep the IT solutions operational.

Office of Legal Services

The Office of Legal Services is responsible for overseeing all legal services for the Cabinet. In addition to providing legal services to the Personnel Cabinet, including drafting legal

Responsibilities

pleadings, memoranda, statutes, regulations, and legal opinions, the General Counsel represents the Personnel Cabinet and its employees in administrative hearings and trials; serves as Custodian of Records for the purpose of the Open Records Act; consults with other agency officials and employees on the enforcement and application of state and federal laws and regulations governing employment; testifies before legislative committees; conducts training; and serves as an expert witness in trials concerning the State Merit System.

Office for Employee Relations

This office includes the Executive Director's Office and two divisions. The main goal of the Executive Director's Office is to provide executive leadership to Employee Relations' programs and staff. In addition to the regular duties within the two divisions, this office coordinates new employee orientation and the Personnel Cabinet's annual Employee Day, which is part of Public Employee Recognition Week. In addition, this office coordinates logistics for the annual Governor's EEO Conference (the major training event for EEO counselors and coordinators, personnel executives and managers) including registration, development, and the scheduling of 18 workshops and 3 general sessions for more than 400 participants.

Division of Communications and Recognition

This division is responsible for the Employee Suggestion System, the Career Service Program, the Personnel Answer Line and the Kentucky Employee Mediation Program. These programs are available to all state employees. In addition, the division publishes *Commonwealth Communiqué*, a newsletter for all state government employees, and the *Personnel Perspective*, a monthly newsletter for Personnel Cabinet employees. Staff also provides technical assistance and training on ADA (The Americans With Disabilities Act) to employees of the Personnel Cabinet and, upon request, to employees of other state agencies.

Division of Employee Benefits

This division is responsible for the Life Insurance Program, the state employees' Workers' Compensation program, the coordination of the State Safety Program, the Kentucky Employee Assistance Program (KEAP), and the administration of the Sick Leave and Annual Leave Sharing Programs and the Family Medical Leave Act (FMLA). Many of these programs also serve employees of other governmental entities, such as local school districts, universities, and other local governments.

This division also includes the Adoption Benefits Program, which assists Executive Branch state employees with reimbursement of eligible expenses incurred in the adoption of a child. During FY 2003-2004, the division approved 20 applications for reimbursement of expenses that totaled \$57,811.42. This brings the program to a total of 85 approvals, totaling \$243,272.34 since its inception.

Responsibilities

Office of Government Training

The Office of Government Training is a new addition to the Personnel Cabinet and consists of the former Governmental Services Center (GSC). OGT retains its former mission of providing training to state employees, and its offices remain on the campus of Kentucky State University in Frankfort.

Department for Employee Insurance

The Department for Employee Insurance is responsible for overseeing the Commonwealth of Kentucky's Public Employee Health Insurance Program as well as the Flexible Spending Account Program for state employees. The Department for Employee Insurance also supports the ongoing efforts of the Kentucky Group Health Insurance Board and the Employee Advisory Committee. This entails working with the employees of state government, boards of education, health departments and other quasi agencies in the development of recommendations on the future direction of the Program.

The Executive Director's Office includes the Executive Director, Deputy Executive Director and General Counsel, all of whom report directly to the Secretary of the Personnel Cabinet. The Executive Director's Office is charged with overseeing the mission of the department and its daily operations.

Division of Insurance Administration

This division consists of two branches, the Member Services Branch and the Enrollment Information Branch. The Member Services Branch is responsible for providing customer service to employee health insurance members, working with the open enrollment process to improve its administration, educating members regarding employee health insurance, and performing other related health insurance functions. The Enrollment Information Branch develops and maintains an eligibility database of employee health insurance information on all participants in the Public Employee Health Insurance Program, as well as for other related health insurance services.

Division of Financial and Data Services

This division also consists of two branches, the Data Analysis Branch and the Financial Management Branch. The Data Analysis Branch is responsible for overseeing the assessment of the current Group Health Insurance Database. The branch also analyzes, evaluates, and interprets health insurance data from all available sources and prepares reports based on the data for distribution to appropriate individuals within and outside the Personnel Cabinet. The Financial Management Branch is responsible for the implementation of premium billing and reconciliation of premiums due to the health insurance carriers. It is also responsible for collection of administrative fees and the administration of the Flexible Spending Account Program for state employees.

Responsibilities

Department for Personnel Administration

The Department for Personnel Administration consists of the Division of Employee Management and the Division of Staffing Services accounting for eight branches with more than 70 employees working together to provide excellent customer service to employees and applicants for employment.

The department is responsible for employment counseling, applicant processing, maintaining and updating selection criteria, maintaining employee records, creation of job classifications and salary computations, operation of the state payroll system and the state's performance evaluation system.

Division of Employee Management

This division prepares and maintains job classification and compensation plans for state employees covered by Chapter 18A, including the review of all personnel position actions, job audits, revision of class specifications, and salary surveys.

Division of Staffing Services

This division has five broad areas of responsibility: applicant processing, applicant counseling, recruiting, examination construction, and register maintenance. Within these areas are the duties of examination research and development; review of personnel actions for minimum requirements; provision of information concerning state government employment, administration, grading and processing of examinations to applicants and employees; maintenance of register files; verification of applicant information; and certification of merit registers.

Accomplishments

Office of the Secretary



Personnel Cabinet Secretary Bob Ramsey (back row, center), Deputy Secretary Bob Wilson (back row, left) and the staff of the Secretary's Office

Cooperative Education and Internship Program

The Office of the Secretary's Kentucky State Government Cooperative Education and Internship Program continues to be successful and has a database of approximately 700 active applicants.

The program not only helps agencies meet their short-term staffing needs, but it also serves as a recruitment tool for agencies with difficult-to-fill vacancies that require special skills.

Applications are received year round from students, state agencies and educational institutions. Word-of-mouth is the program's best advertising, but staff members also attend career and recruitment fairs during the year to secure applicants with specific majors.

Approximately 75% of the participants are students from colleges and universities, 15% are students from high schools and 10% are students from vocational/technical schools.

Frankfort's Kentucky State University continues to serve the program well in recruitment efforts. KSU's applicants include students in numerous critical skill areas, such as engineering, pre-engineering, biology, chemistry, computer science, political science, accounting and criminal justice.

There is also a broader geographic location of participating educational institutions. For example, educational institutions in Western Kentucky are providing the state's field offices with high school and college students for both short-term assignments and to meet critical staffing needs.

The Co-op/Intern Program provides Kentucky's students the opportunity to obtain practical on-the-job experience while earning academic credit as part of their educational experience.

Accomplishments

Office of the Secretary

It also gives them a greater opportunity for full-time employment after graduation.

The program is seeing an increase in requests for recent Co-op/Intern graduates for possible full-time employment. Students recognize the program as an ongoing resource for employment with outside organizations and businesses, as well as with state government.

Equal Employment Opportunity Office

The State Equal Employment Opportunity (EEO) Office is responsible for the Affirmative Action Plan for state government and the actions pertained within. The Office provides training on EEO and on Diversity and Sexual Harassment Prevention. The EEO Office is the central recruiting coordinator for all of state government and it maintains the Minority Job Bank for applicants and agencies. The office has assumed administrative oversight of the Governor's Minority Management Trainee Program.

Minority and female employment is one major area of emphasis in the EEO Office.

The Commonwealth of Kentucky reached its minority employment goal for the 10th consecutive reporting period, which is a continuing record for state government. The current percentage of minority employees (excluding Constitutional Offices) is 8.07%. The goal is 7.51%.

Agencies that have reached the minority employment goal as of June 30, 2004 are: Economic Development Cabinet, Finance and Administration Cabinet, Health and Family Services Cabinet, Personnel Cabinet and the Office of the Governor.

The female employment percentage for state government (excluding Constitutional Offices) is 49.86%. The goal is 52.42%.

Agencies that have reached the female employment goal as of June 30, 2004 are: Economic Development Cabinet, Education Cabinet, Finance and Administration Cabinet, General Government Cabinet, Health and Family Services Cabinet, Personnel Cabinet and the Office of the Governor.

The Governor's Minority Management Trainee Program has 13 participants currently enrolled with the expected graduation date of June 30, 2005.

(Note: See charts on pages 10 through 14.)

Office of the Secretary

EQUAL EMPLOYMENT OPPORTUNITY DATA BY CABINET/AGENCY As of June 30, 2004

CABINET/AGENCY	MINORITY GOAL	FEMALE GOAL
	7.51%	52.42%
COMMERCE CABINET	4.64	45.07
ECONOMIC DEVELOPMENT CABINET	8.62	57.76
EDUCATION CABINET	7.11	60.15
FINANCE & ADMINISTRATION CABINET	7.76	52.22
GENERAL GOVERNMENT	5.45	58.28
Department of Agriculture	5.56	3.70
Office of the Attorney General	8.04	5.23
Auditor of Public Accounts	4.00	59.20
Office of the Governor	9.84	63.93
Office of the Lieutenant Governor	0.00	33.33
Department of Military Affairs	5.30	26.49
Department of Veterans Affairs	5.71	81.25
HEALTH AND FAMILY SERVICES CABINET	12.16	78.02
JUSTICE AND PUBLIC SAFETY CABINET	7.39	34.48
ENVIRONMENTAL AND PUBLIC PROTECTION CABINET	4.84	40.71
PERSONNEL CABINET	12.14	74.27
TRANSPORTATION CABINET	7.09	19.14
STATEWIDE	7.86	49.95

Office of the Secretary

MINORITY HIRING PROJECTED GOALS STATEWIDE As of June 30, 2004

Job Categories	Total Incumbents	Minority Incumbents	Percent Minority	Under Utilized	Percent Projected Goal	Female Incumbents	Percent Female	Under Utilized	Percent Projected Goal	Number Minorities Needed	Number Females Needed
Officials and Administrators	3146	203	6.45	YES	7.51	1275	40.53	YES	52.42	33.3	374.1
Professionals	17038	1364	8.01	NO	7.51	9621	56.47	NO	52.42	0.0	0.0
Technicians	1985	125	6.30	YES	7.51	754	37.98	YES	52.42	24.1	286.5
Protective Service Workers	3201	187	5.84	YES	7.51	443	13.84	YES	52.42	53.4	1235.0
Para Professionals	2599	338	13.01	NO	7.51	2016	77.57	NO	52.42	0.0	0.0
Office and Clerical	3130	221	7.06	YES	7.51	2676	85.50	NO	52.42	14.1	0.0
Craftsman	2759	173	6.27	YES	7.51	197	7.14	YES	52.42	34.2	1249.3
Service/Maintenance	3895	355	9.11	NO	7.51	1877	48.19	YES	52.42	0.0	164.8
Other	1	0	0.00	NO	7.51	1	100.00	NO		0.0	0.0
TOTALS	37754	2966	7.86				49.95				

MINORITY HIRING — PROJECTED GOALS
Personnel Cabinet
As of June 30, 2004

JOB CATEGORIES	TOTAL INCUMBENTS	MINORITY INCUMBENTS	% MINORITY	UNDER UTILIZED	PROJECTED % GOAL	FEMALE INCUMBENTS	% FEMALE	UNDER UTILIZED	PROJECTED % GOAL	NUMBER MINORITIES NEEDED	NUMBER FEMALES NEEDED
OFFICIALS AND ADMINISTRATORS	30	5	16.67	NO	7.51	12	40.00	NO	52.42	0.00	0.00
PROFESSIONALS	145	18	12.41	NO	7.51	112	77.24	NO	52.42	0.00	0.00
TECHNICIANS	9	1	11.11	NO	7.51	7	77.78	NO	52.42	0.00	0.00
PROTECTIVE SERVICE WORKERS					7.51				52.42		
PARA-PROFESSIONALS	7	0	0.00	NO	7.51	7	100.00	NO	52.42	0.00	0.00
OFFICE AND CLERICAL	15	1	6.67	NO	7.51	15	100.00	NO	52.42	0.00	0.00
CRAFTSMEN					7.51				52.42		
SERVICE/ MAINTENANCE					7.51				52.42		
TOTALS	206	25	12.14			153	74.27				

**Ethnic and Gender Report: Personnel Cabinet
As of June 30, 2004**

Job Category	Total		White		Black		Hispanic		Asia/Pac		Native American		Other		Total Minority	M	F
	M	F	M	F	M	F	M	F	M	F	M	F	M	F			
Officials and Admin	15	10	2	2	1	0	0	0	0	0	0	0	0	0	5	18	12
Professionals	28	99	5	10	0	1	0	1	0	0	0	1	0	1	18	33	112
Technicians	2	6	0	1	0	0	0	0	0	0	0	0	0	0	1	2	7
Protective Service Workers																	
Para-Professionals	7	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	7
Office and Clericals	15	0	0	1	0	0	0	0	0	0	0	0	0	0	1	0	15
Craftsmen																	
Service Workers																	
TOTALS	206	45	7	14	1	1	1	1	0	0	0	1	0	1	25	53	153

**Ethnic & Gender Personnel Report
Personnel Cabinet
As of June 30, 2003**

Job Category	Total		White		Black		Hispanic		Asia/Pac		Amer Indian		Other		Total Minority	Total	
	M	F	M	F	M	F	M	F	M	F	M	F	M	F		M	F
Officials and Admin	12	13	1	1	0	0	1	0	0	0	0	0	0	0	3	14	14
Professionals	21	95	4	9	0	1	0	1	0	0	0	1	0	1	16	25	107
Technicians	4	7	0	2	0	0	0	0	0	0	0	0	0	0	2	4	9
Protective Service Workers																	
Para-Professionals	5	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
Office and Clericals	25	20	1	2	0	0	0	0	0	0	0	0	0	0	3	3	22
Craftsmen Worker	1	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Service Workers																	
TOTALS	39	141	6	14	1	1	1	1	0	0	0	1	0	1	24	46	158

Accomplishments

Kentucky Public Employees' Deferred Compensation Authority

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

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



*Executive Director
Robert C. Brown*

To further emphasize the magnitude of the Kentucky program's size, an article in *Pensions & Investments* magazine, which surveyed the largest 1,000 public defined contributions plans, ranked Kentucky Deferred Compensation as the 25th largest program in terms of total plan assets.

During Fiscal Year 2003-2004, the Authority Board:

1. Elected to maintain the existing participant asset fee schedule. This was due to the continuation of turbulent market conditions as well as participants' requests for the transfer of a substantial amount of assets to the various retirement systems to purchase service credits. This is the 2nd consecutive year the Board was unable to authorize a participant fee reduction. However, fee reductions were authorized in 6 of the previous 8 years and that has resulted in a recurring annual savings to participants of approximately \$3.1 million. The total accumulated annual savings has now reached approximately \$14 million.
2. Reduced the Authority's FY 2004 record keeping costs by approximately \$350,000 due to the 'not to exceed' maximum fee provision previously negotiated with the record keeper.
3. Amended and restated the 457 Plan document to comply with final 457 Plan regulations released by the Internal Revenue Service (IRS). The Authority is now in the process of submitting the amended and restated document to the IRS for a Private Letter Ruling.

Deferred Compensation Authority

4. Developed a new market timing/excessive trading policy to protect the Authority program and its participants from the costs associated with market timing activity. This new policy became effective August 1, 2004 and has already identified incidents of market timing activity and appropriate corrective action has been taken.
5. Achieved a major milestone on December 31, 2003 when the Authority's plan assets surpassed \$1 billion. Only a select number of state plans have reached the \$1 billion in assets plateau. This is especially noteworthy since over the past several years the Authority has transferred in excess of \$100 million in assets to the various defined benefit retirement plans for the purchase of service credits.
6. Received for an 8th consecutive year an outstanding achievement award from NAGDCA. Kentucky is the only state to receive this prestigious national recognition award for 8 consecutive years.

In addition, the Authority has achieved yet another record-breaking year in terms of participation and plan assets. Assets at June 30, 2004 were approximately \$146 million higher than at the end of fiscal year 2003.

The following graphs, charts and tables represent the combined results from the Authority's 457 and 401(k) supplemental retirement plans through June 30, 2004:

- *Participant Volume* – Graph 1 and the accompanying table indicate the phenomenal growth rate the Authority continues to experience. The number of plan participants (with account balances) increased from 59,773 as of June 30, 2003 to 64,437 at June 30, 2004. This represents an increase of 2,704 participants, or a 4.5% increase as of the end of fiscal year 2004.
- *Plan Assets* – Graph 2 and the accompanying table shows that 2003 plan assets, on a calendar year basis, were noticeably greater than for 2002 (2003 - \$1.003 billion vs. 2002 - \$892 million). Assets, on a fiscal year basis, have increased substantially from \$899 million as of June 30, 2003 to \$1.045 billion on June 30, 2004, representing a \$146 million increase or approximately 16%.
- *Plan Trends* – Several important trends continued during fiscal year 2003-2004 within the Deferred Compensation program.

Investments – Graph 3 indicates for the 8th time in 9 years, quarterly participant investments have increased. Quarterly participant investments increased significantly from \$25.1 million as of June 30, 2003 to \$30.6 million as of June 30, 2004. This is an increase of \$5.5 million or approximately 22%.

Plan Assets Allocation – Graph 4 and the accompanying table demonstrates that

Deferred Compensation Authority

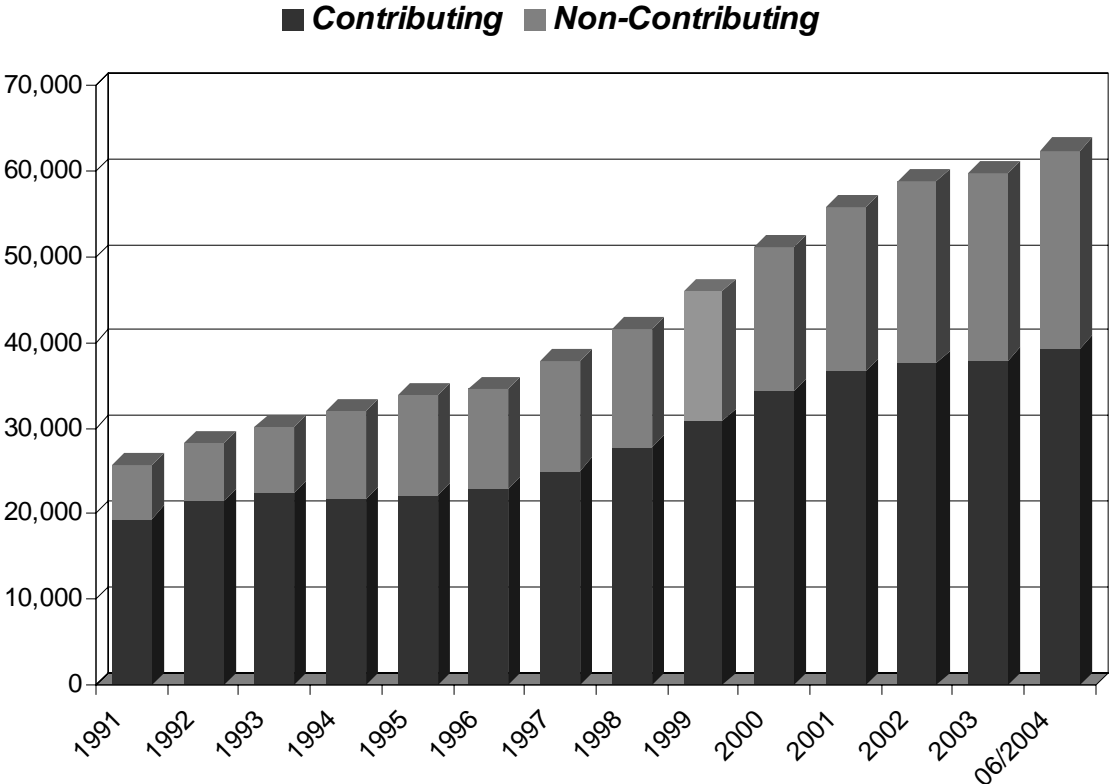
for a 9th consecutive year, participants invested more into the mutual funds than into the Fixed Contract Fund (FCF). This is also the 8th consecutive year in which investments into the mutual funds were greater than into the FCF in *each* quarter of the year. Graph 5 indicates the allocation of assets is now \$610 million (58.4%) in the stock mutual funds, \$63 million (6.1%) in the bond mutual funds/money market fund and \$356 million (34.1%) in the FCF. The remaining 1.4%, or \$15 million, represents insurance company benefit accounts and participant loans.

Investments – Graph 6 demonstrates annual investments increased again this fiscal year and totaled \$114.1 million compared to \$109.3 million at June 30, 2003, representing a \$4.8 million or 4.4% increase. The percentage of the investments into the 401(k) Plan versus the 457 Plan decreased approximately 2% to approximately 63%. For the fiscal year ended June 30, 2004, the dollars invested in the 401(k) Plan exceeded those invested in the 457 Plan by nearly \$29 million. This disparity has continued to shrink primarily as a result of the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001. This act has made the 457 and 401(k) Plans look essentially the same.

The Authority currently offers participants 36 investment options from which they can select. The investment spectrum ranges from conservative to moderate to aggressive. This spectrum of investments consists of 30 mutual funds, 4 target life cycle funds, 1 money market fund and 1 stable value or fixed fund product.

(**Note:** See charts and graphs on pages 18 through 26.)

Total Participants by Year (With Account Balances) As of June 30, 2004



Graph 1

Deferred Compensation Authority

Total Participants by Year (With Account Balances) 1991 until June 30, 2004

1991	26,691
1992	29,146
1993	30,188
1994	32,024
1995	33,781
1996	34,589
1997	37,330
1998	41,016
1999	46,187
2000	51,099
2001	55,749
2002	58,756
2003	59,773
6/30/2004	62,437

Table 1

Deferred Compensation Authority

Asset Growth by Year

(Excluding Life Insurance and Uninvested Receipts)

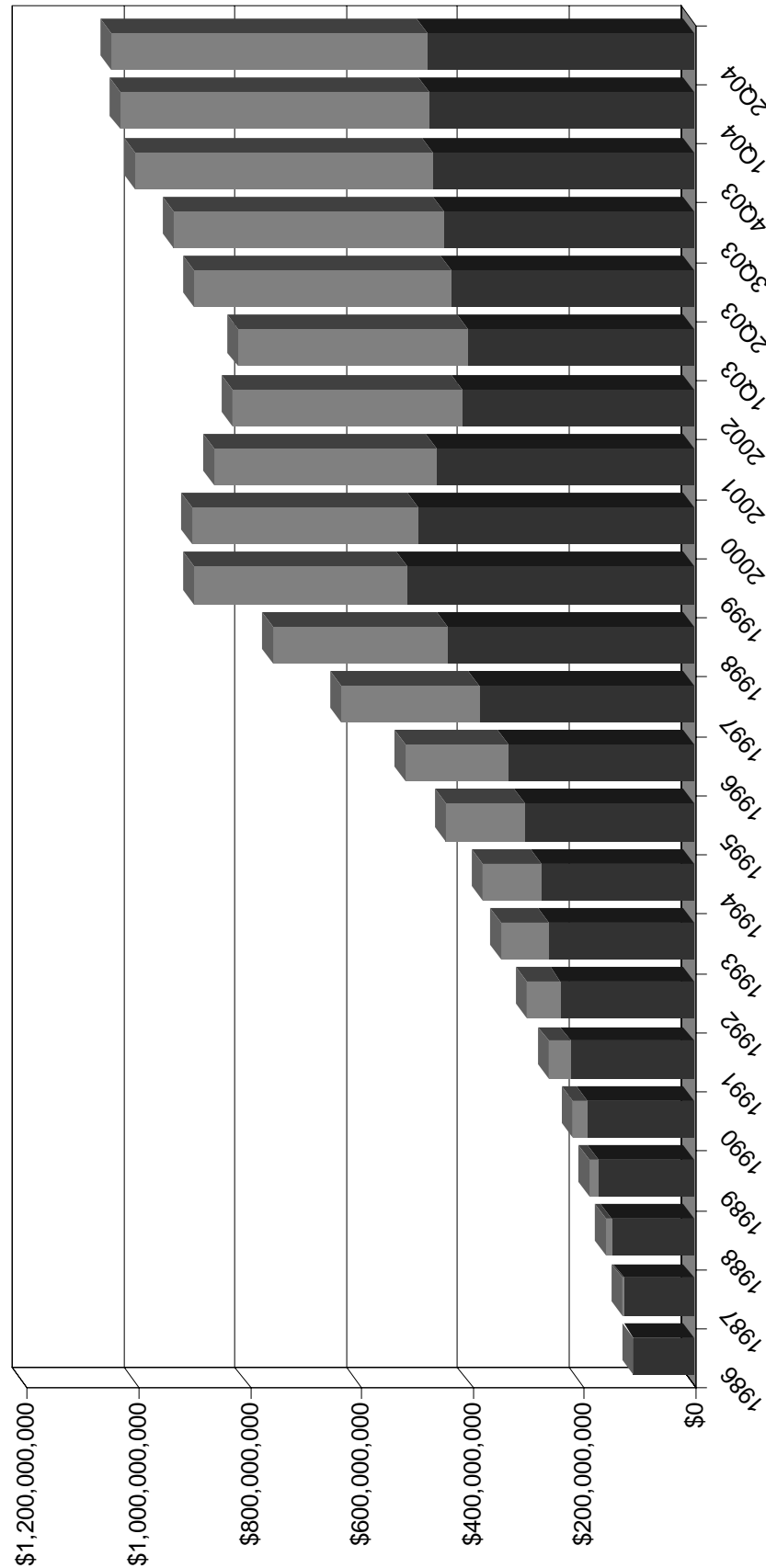
Participant Accounts
 457 Plan 23,920
 401(k) 50,555

Assets

457 Plan \$477,628,551.91
 401(k) \$567,087,013.38

Calendar YTD Increase 4.18%

■ 457 (Plan I) ■ 401(k) (Plan II)



Calendar Year Ending

Graph 2

Deferred Compensation Authority

Asset Growth by Year

(Excluding Life Insurance and Uninvested Receipts)

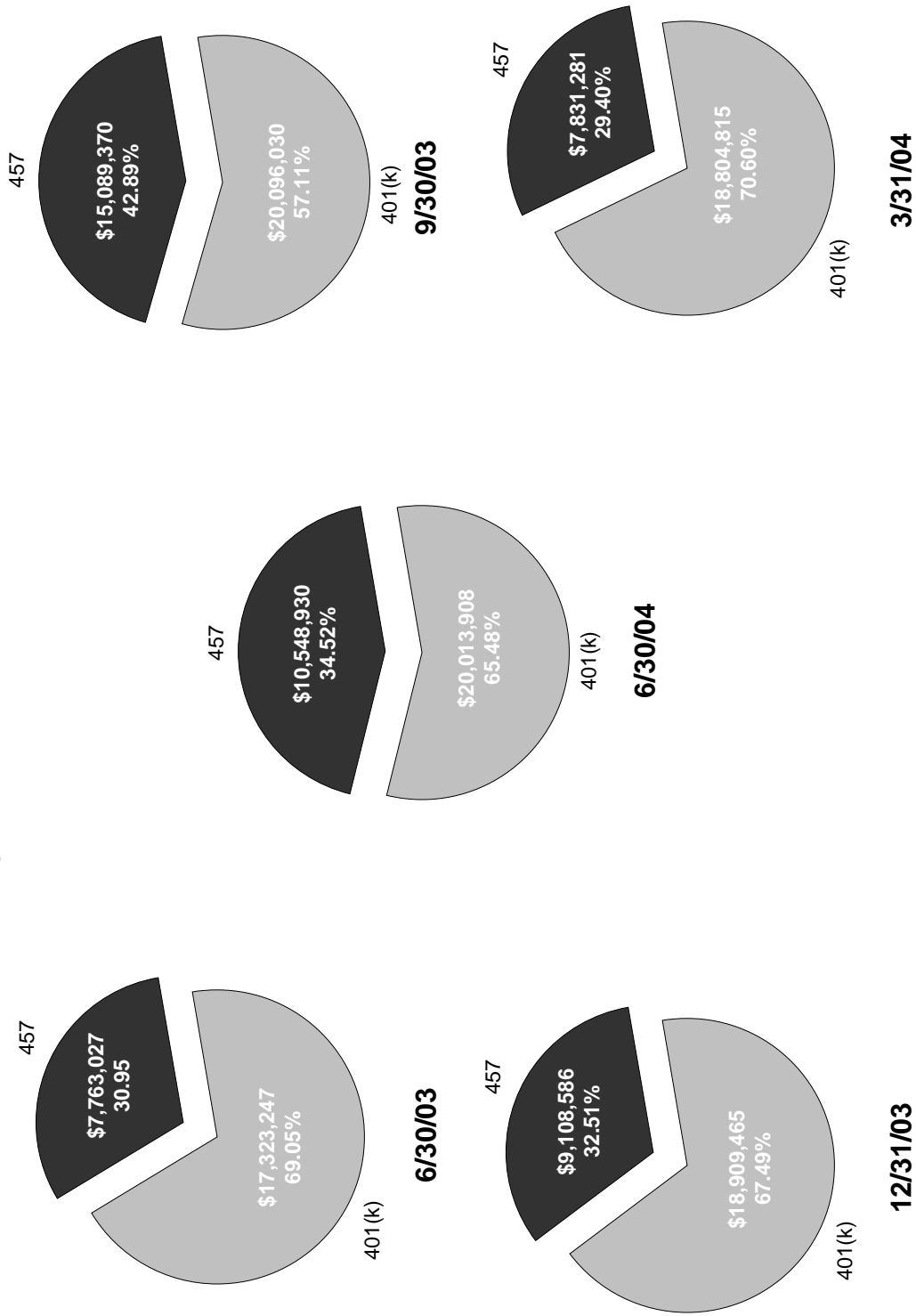
Year	Assets
12/31/1991	\$260,551,464
12/31/1992	\$299,421,872
12/31/1993	\$345,628,472
12/31/1994	\$377,971,229
12/31/1995	\$445,688,072
12/31/1996	\$518,994,025
12/31/1997	\$631,499,204
12/31/1998	\$755,721,008
12/31/1999	\$897,692,891
12/31/2000	\$899,064,718
12/31/2001	\$892,252,657
12/31/2002	\$827,735,663
12/31/2003	\$1,002,971,334
6/30/2004	\$1,044,715,565

Table 2

Deferred Compensation Authority

Deferral Investments By Quarter

(Excluding Life Insurance and Uninvested Receipts)

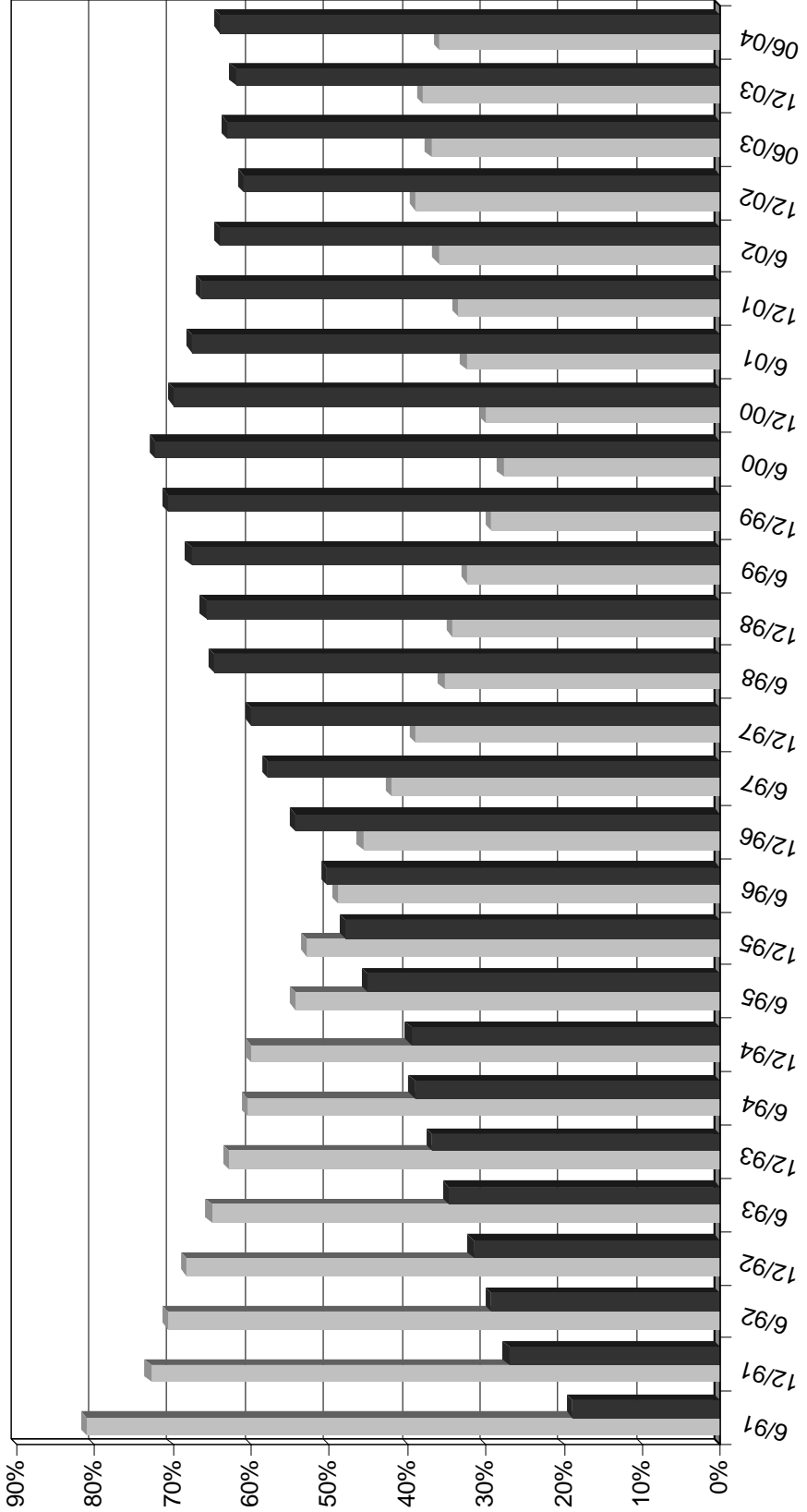


Graph 3

Deferred Compensation Authority

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

■ Fixed Contract, Payouts, & Loans ■ Mutual Funds & Variable Annuity



Graph 4
Month End/Year

Deferred Compensation Authority

Assets - Fixed and Variable Second Quarter 1998 to Second Quarter 2003

Year	Fixed	Variable
6/98	\$241,314,310	\$460,551,898
12/98	\$251,352,384	\$503,980,246
6/99	\$256,551,756	\$561,120,867
12/99	\$274,967,238	\$622,725,653
6/00	\$268,524,880	\$651,705,621
12/00	\$259,967,624	\$639,097,095
6/01	\$277,977,742	\$639,097,095
12/01	\$289,017,828	\$592,069,637
6/02	\$292,352,027	\$541,020,876
12/02	\$319,540,391	\$508,195,322
06/03	\$330,321,165	\$565,503,670
12/03	\$346,607,857	\$656,227,878
06/04	\$356,360,773	\$688,354,792

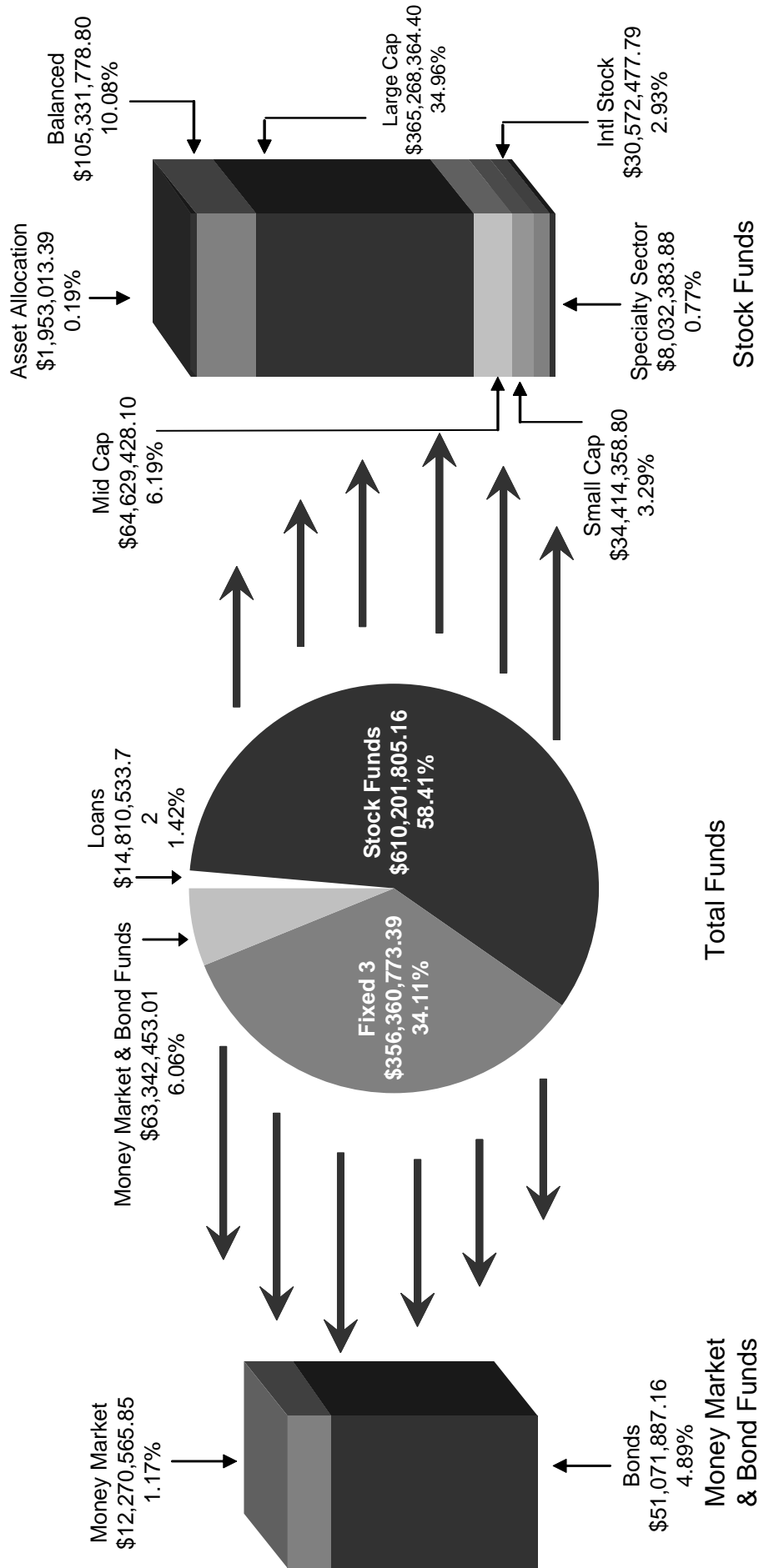
Table 3

Allocation of Plan Assets

As of June 30, 2004

(Excluding Life Insurance and Uninvested Receipts)
(Dollars in Millions)

Fixed Contract & Loans	35.53%
Money Market and Bond Funds	6.06%
Stock Funds	58.41%



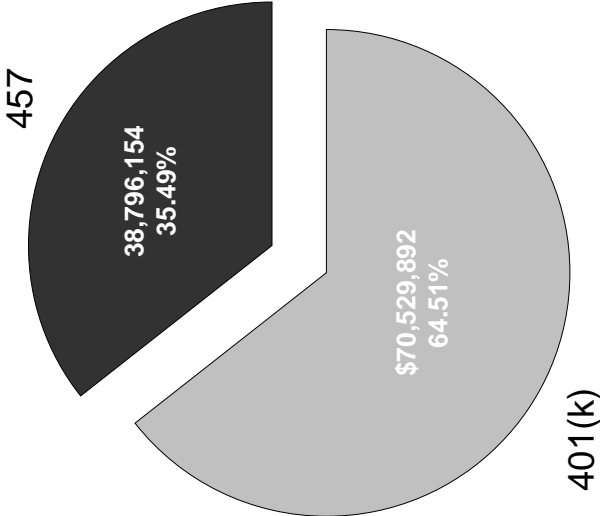
Graph 5

Deferred Compensation Authority

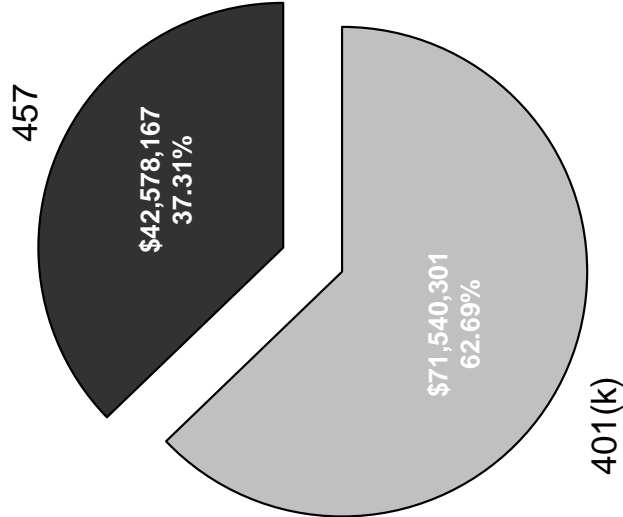
Annual Deferral Investments

(Excluding Life Insurance)

Year Ending
June 30, 2003



Year Ending
June 30, 2004



Graph 6

Accomplishments

Office of Administrative Services

Administrative Services Branch

Fiscal Management

Administrative Services again managed a series of budget reductions and spending restrictions as required in House Bill 269 and incorporated into the *Budget of the Commonwealth*. Restrictions involved travel, the purchase of furniture and computer equipment, utility usage, hiring, building improvements and other discretionary expenditures. In the face of these reductions, the Cabinet was able to continue all services to the public and to state agencies and employees. Fiscal staff developed and submitted the Cabinet's budget request to the Governor and General Assembly in the fall of 2003 and worked through a reorganization of the Cabinet from cabinet to department status during the fiscal year. A subsequent reorganization will restore cabinet status effective in fiscal 2005 and add the Office of Government Training to the Cabinet from the Finance and Administration Cabinet. Administrative Staff also issued new contracts to replace all of the Cabinet's personal services contracts. Expenditures were uniformly under the Cabinet's reduced budget during the year, and the Cabinet continued to provide full services. (*See the Expenditures chart on page 29.*)

Human Resources Management

On June 30, 2004, the Personnel Cabinet had 206 employees — including 201 permanent full-time, 3 permanent part-time and 2 interim employees — marking an increase of 1 employee over the course of the fiscal year.

Systems Management Branch

The Systems Management Branch is made up of 10 full time staff members who are responsible for overseeing the computerization of the Personnel Cabinet as well as providing the technical support to keep IT solutions operational.

- Technologies currently being used include Internet, Intranet, Web enabled register application; Imaging applications in the Register Branch, Employee Files, Deferred Compensation, Life Insurance and Health Insurance; Web enabled Employee Suggestion System, Health Insurance call Tracking System, Storage Area Network System and "MSAR" Magnetic Storage and Retrieval.
- Technologies currently in the development stage include on-line testing, upgrading Employee Suggestion System to a web enabled application, and upgrading the Register web application to the latest version.
- Other technologies currently on the drawing board include implementation of a web server, Content Security Management, URL filtering, and FileNet Document Services.

Office of Administrative Services

- The Systems Management Branch monitors and maintains 30 NT servers, 6 UNIX servers, 2 optical storage and retrieval devices and more than 200 users in four locations. A fifth location, the Office of Government Training (formerly GSC), is currently being set up and will have approximately 15 users and two servers. The Systems Management Branch also provides support for the Web Register application and the Employee Suggestion system at the agency level. The branch also maintains several databases, including Health, Life, EEO, Co-Op/ Intern and Inventory.
- The branch maintains ClickHR, an employee self-service system, which allows employees to retrieve their electronic pay stubs and check their leave balances, as well as review their life and health benefits. It also provides an employee profile where an employee can enter his or her work address and emergency contacts.
- The Systems Management Branch interacts with other agencies and vendors to ensure the Personnel Cabinet is current regarding technology implementation at the state level and in the private sector.

Office of Administrative Services

Personnel Cabinet Expenditures 2003-2004 Fiscal Year

Organizational Unit	Personnel & Contracts	Operating	Capital	TOTAL
Secretary's Office				
Office of the Secretary	\$502,293	\$66,158	\$5,302	\$573,753
Office of Administrative and Legal Services	\$1,460,653	\$290,171	\$25,110	\$1,775,935
Deferred Compensation Authority	\$4,080,145	\$321,278	\$10,818	\$4,412,241
Health Insurance Administration	\$3,696,874	\$1,419,916	\$47,128	\$5,163,918
Commonwealth Choice	\$68,387	\$337,490	\$-	\$405,877
Subtotal	\$9,808,352	\$2,435,013	\$88,359	\$12,331,724
Department for Employee Relations				
Commissioner's Office	\$149,869	\$70,801	\$2,124	\$222,793
Communications and Recognition	\$297,843	\$116,190	\$6,711	\$420,745
Kentucky Employee Assistance Program	\$272,011	\$51,087	\$1,726	\$324,825
Life Insurance Administration	\$272,165	\$103,481	\$9,258	\$384,904
Workers' Compensation	\$16,864,574	\$1,158,055	\$10,583	\$18,033,212
Subtotal	\$17,856,463	\$1,499,614	\$30,402	\$19,386,479
Department for Personnel Administration				
Commissioner's Office	\$316,949	\$51,761	\$5,014	\$373,723
Classification and Compensation	\$704,987	\$144,717	\$4,781	\$854,486
Employee Records	\$889,489	\$1,232,691	\$45,432	\$2,167,611
Staffing Services	\$1,582,478	\$570,895	\$80,487	\$2,233,860
Subtotal	\$3,493,902	\$2,000,064	\$135,714	\$5,629,680
Empower Kentucky	\$-	\$231,642	\$-	\$231,642
Capital Construction				
On-line Access to Emp Records	\$-	\$-	\$-	\$-
New Personnel Payroll System	\$-	\$-	\$-	\$-
Expand KY Employee Self Service	\$-	\$-	\$-	\$-
Subtotal	\$-	\$-	\$-	\$-
TOTAL	\$31,158,717	\$6,166,334	\$254,475	\$37,579,526

Accomplishments

Office of Legal Services

During fiscal year 2003-2004, the Office of Legal Services:

- Wrote approximately 321 Opinion Letters, memoranda or other personnel-related documents (not including case pleadings) and responded to numerous other questions and inquiries by e-mail and phone calls.
- Reviewed, approved or consulted on approximately 717 disciplinary action letters including 530 suspensions, 126 dismissals for cause and 61 special leave investigations.
- Reviewed, consulted on, and approved approximately 1,495 terminations.
- Reviewed and consulted with agency attorneys and administrators with respect to 446 appeals filed with the Personnel Board.
- Represented the Personnel Cabinet in 137 appeals filed with the Personnel Board.
- Processed 271 requests submitted under the Kentucky Open Records Act and notified agencies or employees in appropriate cases.
- Made presentations to the International Personnel Management Association, and training sessions conducted by the Personnel Cabinet for personnel administrators, union negotiators and agency negotiators.
- Served on the Management Support Team, which provides oversight for the activities of the Governor's Employee Advisory Council, and negotiated Master and Unit Agreements with elected employee organizations.
- Analyzed and wrote comments on approximately 60 House and Senate Bills introduced during the 2004 Session of the General Assembly that impacted personnel issues.

Accomplishments

Office for Employee Relations



Office for Employee Relations Management: Executive Director Rick Deason, center, Director Bill Patrick (left), Division of Employee Benefits, and Director Tim Harmon, Division of Communications and Recognition.

This office includes the Executive Director's Office and two divisions, the Division of Communications and Recognition and the Division of Employee Benefits. In addition to the regular duties of those two divisions, the Office for Employee Relations coordinates new employee orientation and the Cabinet's annual Employee Day, which is a part of Public Employee Recognition Week each fall. In addition, this office coordinates logistics for the annual Governor's EEO Conference (the major training event for EEO counselors and coordinators, personnel executives, and managers) including registration, development, and scheduling of 18 workshops and 3 general sessions for more than 400 participants.

Division of Communications and Recognition

This division includes the Director's Office and three branches, the Communications Branch, the Employee Recognition Branch and the Workplace Relations Branch. In addition to their other duties, staff members of this division provide Americans with Disability Act (ADA) technical assistance and training to the Personnel Cabinet and to other state agencies on request.

Communications Branch

- Edited, published and distributed *Commonwealth Communiqué*, a bi-monthly, Web-based, electronic newsletter, for all state government employees across the Commonwealth (approximately 40,000). *Communiqué* was published quarterly prior to FY 2003-04. The new bi-monthly schedule increased the number of issues per year from four to six, a 50% increase. The April 2004 issue of *Communiqué* was the last Web-based issue. *Communiqué* became a PDF document, distributed electronically and in print, with the June 2004 issue.
- Edited, published and distributed the *Personnel Perspective*, a monthly newsletter for all Personnel Cabinet employees, and also edited other publications by request.
- Photographed Cabinet events and edited photos for publication.
- Compiled and edited the FY 2002-2003 Personnel Cabinet Annual Report.

Office for Employee Relations

Employee Recognition Branch

- The Personnel Answer Line, 1-866-PAL-LINE (725-5463), was established in an effort to communicate the Cabinet's philosophy of openness. The staff makes every effort to answer questions concerning personnel issues for state employees and the general public. During FY 2003-2004, 1,928 calls were answered.
- Awards totaling \$19,845 were presented to 37 employees through the Employee Suggestion System. These suggestions represented a first-year savings of \$625,522 for FY 2003-2004.
- Career Service Certificates were processed for 1,925 employees. Recognition Certificates were processed for 1,780 employees with 5 or 10 years of service and Service Pins were presented with a Certificate to 1,512 employees with 16 or more years of service.
- Retirement Certificates were presented to 1,592 retiring employees.

Workplace Relations Branch

The Kentucky Employee Mediation Program (KEMP), in the Workplace Relations Branch, conducted 32 mediations. KEMP also received 118 requests for information and did 11 informational presentations, reaching 542 people.

Division of Employee Benefits

Group Life Insurance Administration Branch

The current Basic Insurance and AD&D (accidental death and disability) rate per thousand is \$ 0.108.

The Group Life Insurance Administration Branch carries out all administrative services including: enrollment processing, eligibility data base maintenance, bill generation and payment processing, refunds, customer service, claims processing and distribution of materials.

The contract expired on June 30, 2004. An agreement was reached with Standard to renew the contract for one year with one renewable option left for FY 2004-2005. The contract rates were renewed at an increase of 10% overall to each coverage.

The Life Insurance Branch administers group life insurance for eligible employees at 450 locations.

➤ State Agency	180
➤ Board of Education (roster)	163
➤ Board of Education (individual)	20
➤ Health Department	54
➤ Quasi Agencies	33

Office for Employee Relations

The Life Insurance Branch provides Basic Insurance and AD&D coverage for 143,064 employees. In addition to the basic coverage, the branch also provides optional coverage to 15,559 employees and dependent coverage to 12,632 employees.

The Branch processed and paid 321 death claims.

- 207 Basic Insurance and AD&D Claims
Total Basic/AD&D benefits paid: \$ 4,830,000
- 35 Optional Insurance and AD&D Claims
Total Optional/AD&D benefits paid: \$ 959,000
- 79 Dependent Group Life Claims
Total Dependent benefits paid: \$ 722,500
- 5 Seat Belt Claims
Total Seat belt Claims paid: \$ 50,000

Workers' Compensation Branch

- To date, the Workers' Compensation Branch has received and processed 5,898 First Report of Injuries for injuries occurring in fiscal year 2003-04.
- The Branch has continued to provide coverage for approximately 95,000 employees in all 120 counties throughout the Commonwealth.
- The Branch has continued to provide coverage for approximately 30,000 volunteer ambulance and volunteer firefighters in 118 counties in the Commonwealth.
- The Branch Manager provided training and education to approximately 2500 employees (this includes the supervisory training conducted by the Personnel Cabinet and the supervisory refreshment training).
- The Branch has received and processed 49,250 medical bills.
- The Branch has received and processed 1,851 Temporary Total Disability Benefit checks.
- There has been \$86,848.69 in subrogation recoveries received during FY 2003-2004. These credits were deducted from the respective employer's premium charges.
- To date, Record Only Files totaled 2,618 for Fiscal Year 2003-04.
- Total number of claims set-up by this Branch, to date, for FY 2003-04, is 3,280.

Office for Employee Relations

- The Branch assigned 65 claims to attorneys for representation before the Workers' Compensation Board.
- The Branch assigned 53 workers' compensation cases to Rehabilitation Nurses for more detailed case management.

Return to Work Program

- The Rehabilitation Counselor worked directly with 29 specific employers in assisting them to return their injured employees to work with either temporary or permanent restrictions.
- Assisting with returning injured employees to work has resulted in a savings of \$273,000.00

The Kentucky Safety Program

- Coordinator performed 4 workplace audits/inspections for compliance with safety and health regulations.
- Coordinator conducted 80 ergonomic desk/work station audits at 8 locations.
- Coordinator presented 3 ergonomic training sessions, attended by 65 employees.
- Coordinator made general safety topic presentations for 4 agency groups, attended by 85 staff members.
- Coordinator made 14 presentations at Supervisors Refresher Training sessions, which were attended by approximately 1,100 employees. Major emphasis was the new safety and worker's compensation initiative.
- The program hosted 6 bloodmobiles, which received 504 units of blood.
- Coordinator made 7 workplace violence awareness sessions attended by 290 employees.
- Coordinator met with agency safety staff at 12 various locations to discuss specific problems or provide assistance.
- Six advisory committee meetings were conducted, either with the previous group or the new Executive Safety Advisory Committee.
- One fire drill and one severe weather drill were conducted in conjunction with statewide planning groups.

Office for Employee Relations

Kentucky Employee Assistance Branch (KEAP)

Client Totals

During FY 2003-04, the Kentucky Employee Assistance Program (KEAP) provided direct employee assistance services to 1,012 state employees and/or their family members. In addition 4348 collateral contacts were made. (See chart on page 36.)

Agency Utilization

The cabinets in which employees most often used KEAP's services were: the Justice Cabinet (16% of KEAP's clients came from the Justice Cabinet), Transportation Cabinet (11%), the Cabinet for Families and Children (10%) and the Cabinet for Health Services (10%). (See chart on page 37.)

Main Presenting Issues

The issues most frequently presented include: mental/emotional health (20%), supervisory referrals (20%) and job stress (14%). (See chart on page 38.)

Indirect Contacts (Outside Meetings and Workshops)

KEAP's staff was involved in many workshops and meetings that resulted in numerous indirect contacts with employees. These contacts include monthly presentations at GSC (Governmental Services Center) on how supervisors can use KEAP as a management tool. KEAP's staff conducted workshops on various topics, such as Life in the Balance, Stress Management and Mental Illness in the Workplace, in addition to Critical Incident Stress debriefings and Grief in the Workplace sessions.

KEAP's NEW CLIENT TOTALS

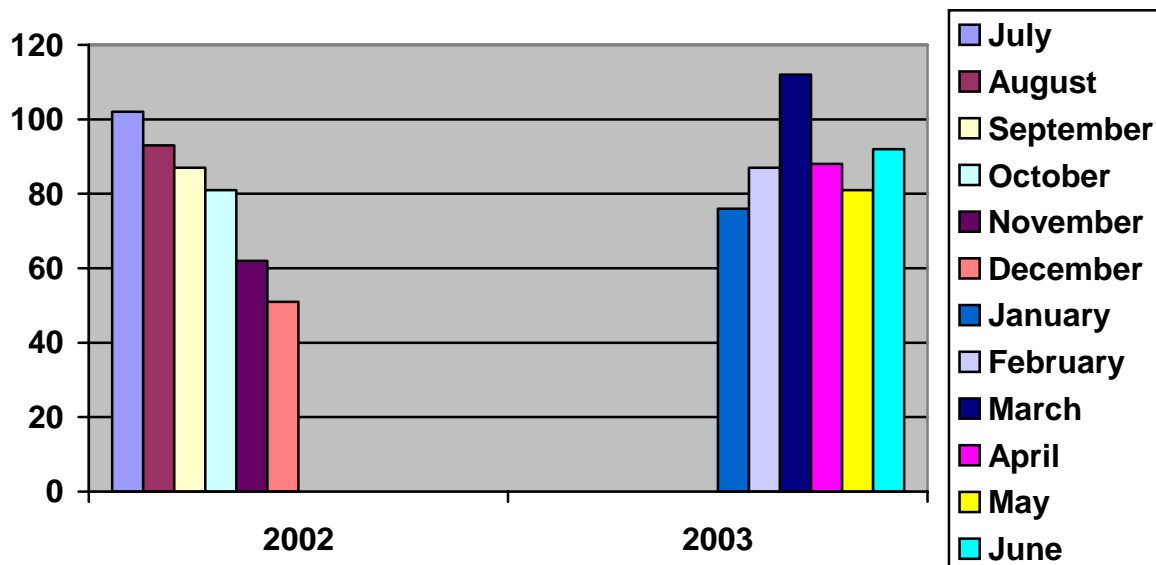
2003

July	102
August	93
September	87
October	81
December	51

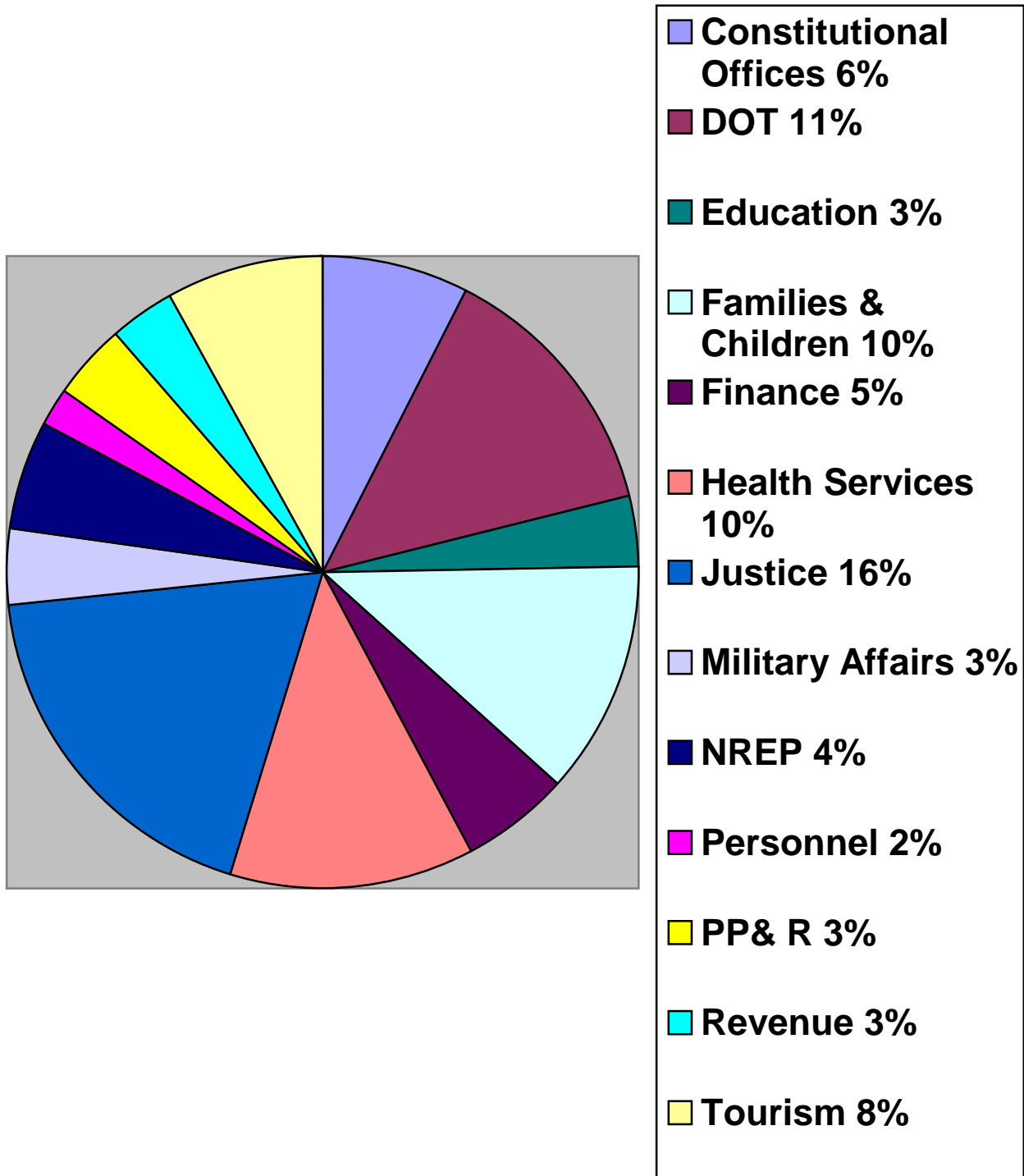
2004

January	76
February	87
March	112
April	88
May	81
June	92

Total 1012

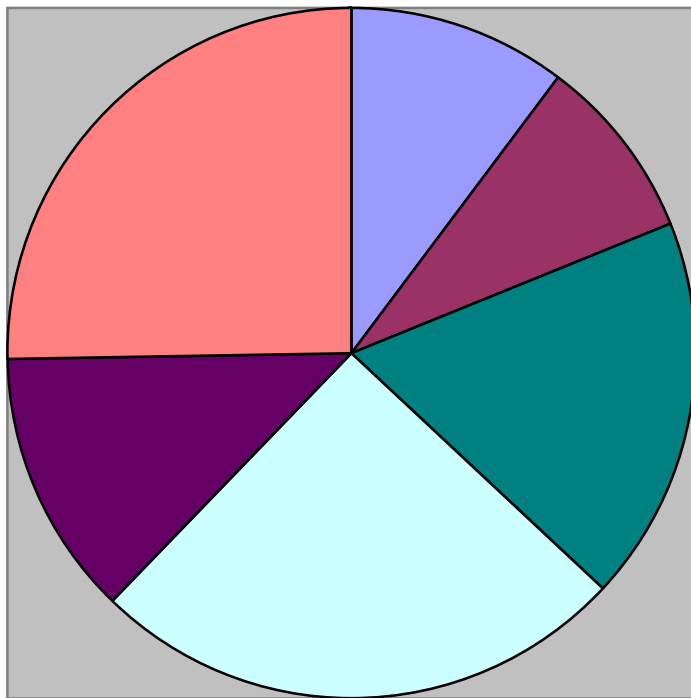


EMPLOYEE USE OF KEAP BY AGENCY



KEAP'S PRESENTING ISSUES

Chemical Dependency	08%
Finances	07%
Job Stress	14%
Mental Health	20%
Relationships	09%
Supervisory Referral	20%
Miscellaneous	22%



Accomplishments

Office of Government Training

During fiscal year 2003-2004, the Office of Government Training provided services to the following numbers of employees. “Duplicated totals” represent each time an individual from that Cabinet attended a workshop. “Unduplicated” indicates each individual from that Cabinet that attended at least one workshop.

July 1, 2003-June 30, 2004

Duplicated Totals (counted each time they attend)	
Economic Development	35
Education, Arts & Humanities	333
Families and Children	405
Finance and Administration	292
General Government	997
Health Services	679
Judicial Branch	5
Justice	916
Kentucky Housing Corporation	5
Labor	264
Legislative Branch	6
Natural Resources	583
Personnel	65
Public Protection and Regulation	399
Revenue	439
Tourism	350
Transportation	1178
Workforce Development	271
	7222

Unduplicated Totals(each individual counted once)	
Economic Development	12
Education, Arts & Humanities	118
Families and Children	172
Finance and Administration	84
General Government	350
Health Services	159
Judicial Branch	5
Justice	296
Kentucky Housing Corporation	4
Labor	76
Legislative Branch	2
Natural Resources	112
Personnel	31
Public Protection and Regulation	110
Revenue	95
Tourism	184
Transportation	207
Workforce Development	71
	2088

Office of Government Training

Workshop Totals

Regular	235
Specials	23
Onlines	9
Total	267

CMF	101
CPM	120
Total	221

CMF Participants in all Workshops Unduplicated	141
CMF Participants in all Workshops Duplicated	505
CPM Participants in all Workshops Unduplicated	499
CPM Participants in all Workshops Duplicated	3368

CMF Participants in CMF Workshops Unduplicated	112
CMF Participants in CMF Workshops Duplicated	420
CPM Participants in CPM Workshops Unduplicated	351
CPM Participants in CPM Workshops Duplicated	2499

Accomplishments

Department for Employee Insurance



Department for Employee Insurance management: Executive Director Esteva Caise Draggs, center, Deputy Executive Director Jill Hunter, left, and General Counsel Marsha Morris

The Department for Employee Insurance has been instrumental in enabling the Personnel Cabinet to meet The Department for Employee Insurance (formerly the Office of Public Employee Health Insurance) has been instrumental in enabling the Personnel Cabinet to meet its statutory duties and responsibilities in the area of health insurance, as well as the needs of approximately 226,000 health insurance participants and 15,000 state employees with flexible spending account coverage. The Department for Employee Insurance is comprised of the Division of Insurance Administration and the Division of Financial and Data Services. The Department for Employee Insurance has created a more customer-focused organization, which will provide a more efficient, effective, and responsive service to its members.

Mission Statement

Provide exemplary health insurance customer service to the citizens of the Commonwealth, state government employees, boards of education, health departments, and other agencies as directed.

Support state government employees with health and dependent care flexible spending accounts.

Receive, analyze, and maintain health insurance data to assist the Commonwealth in making decisions relative to the state health insurance plan.

The Department for Employee Insurance is responsible for overseeing the Commonwealth of Kentucky's Public Employee Health Insurance Program as well as the Flexible Spending Account Program for state employees. The Department for Employee Insurance also supports the ongoing efforts of the Kentucky Group Health Insurance Board and the Employee Advisory Committee. This entails working with the employees of state government, boards of education, health departments and other quasi agencies in the development of recommendations on the future direction of the Program.

Department for Employee Insurance

Division of Insurance Administration

Member Services Branch

This branch is responsible for (a) providing customer service to the Personnel Cabinet's various constituencies, i.e., the citizens of the Commonwealth of Kentucky and the employees of state government, local boards of education, health departments, and certain quasi-agencies, (b) working with the open enrollment process to improve its administration, (c) furnishing member education with regard to the Public Employee Health Insurance Program, and (d) performing other related health insurance functions, by means of a dedicated staff of individuals.

Enrollment Information Branch

This branch develops and maintains an eligibility database of employee health insurance information on all participants in the Public Employee Health Insurance Program, as well as for other related health insurance services.

Division of Financial Services

Financial Management Branch

This branch is responsible for the implementation of the Premium Billing and Reconciliation of premiums due to the health insurance carriers. This will be accomplished through audits of the Department for Employee Insurance's Group Health Insurance system. This branch is also responsible for the collections of the Administrative Fees paid by each participating group in the Program as well as the administration of the Commonwealth Choice Program.

Data Analysis Branch

This branch analyzes, evaluates, and interprets health insurance data from all available sources and prepares reports based on the data for distribution to appropriate individuals within and outside the Personnel Cabinet. Further, the Data Analysis Branch is responsible for overseeing the assessment of the current Group Health Insurance Database.

The Personnel Cabinet, Department for Employee Insurance, is dedicated solely to:

- Procuring health insurance on behalf of the Commonwealth's employees and retirees;
- Establishing performance standards for the health insurance carriers with whom the Commonwealth contracts for employee health insurance and monitor the performance of those carriers;
- Establishing and maintaining an eligibility database of individuals participating in the Public Employee Health Insurance Program, either through an insured health option or the Commonwealth's Flexible Spending Account (for state employees);
- Educating health insurance coordinators of participating groups and eligible employees and retirees about the Public Employee Health Insurance Program;
- Providing customer service to individuals who participate in the Public Employee Health Insurance Program;
- Addressing issues raised by legislators regarding the Public Employee Health Insurance Program;

Department for Employee Insurance

- Assessing the impact of proposed legislation on the Commonwealth's healthcare program;
- Provide input to the Commonwealth's budget process with respect to the Public Employee Health Insurance Program;
- Collecting, maintaining, and analyzing enrollment and claims payment data from the Commonwealth's Health Insurance carriers through a consolidated database.
- Procuring data analysis services to establish and maintain a comprehensive database of eligibility, claims, and using data necessary to manage the Commonwealth's Public Employee Health Insurance Program;
- Facilitating the monthly meetings of the Kentucky Group Health Insurance Board and provide information to the Board at its request, and.
- Facilitating the quarterly meetings of the Employee Advisory Committee and provide information to the Committee at its request.

During 2003, the Department for Employee Insurance

- Procured, with assistance from the Finance and Administration Cabinet, health insurance for approximately 225,000 Commonwealth employees, retirees and their families for Plan Year 2004. This process takes in excess of six months, beginning with compiling the Request for Proposal, soliciting bids from health insurance carriers, evaluation and scoring each bid, negotiations with carriers and ending with the signing of the contracts with the health insurance carriers.
- Provided support to Insurance Coordinators for 183 School Boards, 47 Local Health Departments, State Agency Coordinators, Kentucky Judicial Retirement System, Kentucky Legislative Retirement System, Kentucky Retirement System, Kentucky Teachers' Retirement System, Kentucky Community and Technical College Systems as well as numerous Quasi Agencies participating in the Public Employee Health Insurance Program.
- Conducted training sessions throughout Kentucky training over 600 Health Insurance Coordinators on changes and updates to our health insurance program during Open Enrollment and Spring training.
- Processed approximately 125,000 health insurance applications for members of the Public Employee Health Insurance Program. Of that, approximately 90,000 were processed in a period of two and one-half months.
- Electronically transmitted daily transaction files and monthly synch files to participating health insurance carriers.
- Handled customer service calls from our members.
- Processed approximately 14,000 Commonwealth Choice enrollment forms.
- Processed monthly discrepancy reports on Commonwealth Choice.

Department for Employee Insurance

- Conducted quarterly meetings with the Employee Advisory Committee for Health Insurance.
- Conducted monthly meetings with the Kentucky Group Health Insurance Board. Further, The Department for Employee Insurance assisted the Board with the preparation and distribution of its Annual Report to the Governor, General Assembly and Chief Justice of the Supreme Court.
- Continued premium reconciliation efforts for state agencies, school boards and the State Retirement Systems (KRS and KTRS).
- Continued the billing and administration of Commonwealth Choice program for those agencies that are not paid through the State Payroll System (UPPS).
- Conducted an intensive assessment of the Group Health Insurance Eligibility Database and procedures currently utilized for the Public Employee Health Insurance Program.
- Developed data warehouse of insurance program's data in conjunction with Health Insurance Information Management System vendor, The MEDSTAT Group.
- Developed analysis of health insurance program's performance using above data warehouse.
- Continued the responsibility for resolution of issues with data transfer to/from insurance vendors and participating agencies.

Accomplishments

Department for Personnel Administration



*Department for Personnel Administration
Management: Commissioner Carl Felix, center, Director Mark White, left, Division of Staffing Services, and Director Paul Herberg, Division of Employee Management*

The Department for Personnel Administration consists of the Division of Employee Management and the Division of Staffing Services. The two divisions consist of a total of 8 branches with over 70 employees working together to make the Department for Personnel Administration an agency dedicated to providing excellent customer service to employees and applicants.

The department's purpose is to ensure that individuals receive the highest quality human resource services in the areas of employment counseling, applicant processing, maintaining and updating selection criteria, maintaining employee records, creation of job classifications and salary computations, operation of the state payroll system and the state's performance evaluation system.

The department is proud of its achievements in the human resource arena over the last fiscal year and has established targeted areas for improvement over the next three years, which will include replacement of an antiquated Personnel/Payroll System.

Division of Employee Management

The Division of Employee Management houses the Processing and Records Branch, the Payroll Branch, the Classification and Compensation Branch and the Performance Management Branch. The function of these branches includes processing Personnel Actions, assisting agencies in creating job classifications and salary computations, maintaining and overseeing the Salary Schedule and Pay Grade Changes, running state payroll and assisting agencies with payroll issues, providing service records for employees, producing documents for employees that are in the Personnel File, and administrating and overseeing the Employee Performance Evaluation System.

Processing and Records Branch

- Processed 135,710 personnel actions.
- Approximately 2,500 service records were received and completed from agency requests.

Department for Personnel Administration

- Worked with GOT to implement new application on CICS for entering reorganizations so that more than one user could enter information.
- Developed a more efficient method of entering Position From-To (Crosswalk) listings into the system.

Payroll Branch

- Changed all Federal Tax Tables for calendar and mid-year.
- Made changes to Local Taxes to keep updated and current.
- Produced 50,000+ W-2's.
- Placed Invalid Health Insurance Deduction Error List on Document Direct, eliminating tearing down and mailing to agencies.
- Initiated an automatic BFM (Batch File Maintenance) after regular payroll , which deletes any transactions not processed.
- Automated dual process for setting up a 00 tax record to monitor social security maximums.
- Added personnel jobs to Scheduler and paid employees bi-weekly in a timely manner.

Classification and Compensation Branch

Nature of Actions	2003/2004
Job Classes Revised	100
New Classes Established	21
Job Classes Abolished	20
Pay Grade Changes	5
New/Revised Special Entrance Rates	11
Class Title Changes	7
Title Code Number Changes	1

The below figures reflect 8,184 actions processed by the Classification and Compensation Branch during FY 2004.

Positions Established	5,791
Positions Reclassified	1,493
Positions Reallocated	900

FY 2004 compares to previous fiscal years as follows:

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

Department for Personnel Administration

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

Performance Management Branch

- Conducted employee evaluation supervisor training and/or informational sessions for approximately **1,270** supervisors and interested employees.
- Completed a statewide audit of 2002 performance evaluations. This effort resulted in the auditing of **2,574** or **9.4%** of all evaluations conducted during the 2002 performance period.
- With assistance of Personnel Cabinet IT staff, developed a new electronic data base to document supervisor evaluation training compliance statewide.
- Expanded the information included on the Employee Performance Evaluation System link to the Personnel Cabinet's web site. This link now includes "Tips and Tools for the Evaluator" such as a Sample Performance Improvement Plan, Sample Performance Incident Log, Modified Interim Meeting Documentation Form, and Recommended Expectations for Safety and Computer/Internet Usage.
- Monitored and provided assistance to agencies in the administration of the employee performance evaluation system resulting in verification of the following achievements:
 - **28,528**, or **97.7%** of all eligible employees, met with their supervisor during the required August 2003 interim review meeting to discuss their work performance progress.
 - **27,842**, or **98.6%** of all eligible employees, received an annual evaluation for the 2003 performance year.
 - **30,291**, or **98.3%** of all eligible employees, met with their supervisor to discuss and sign their 2004 performance plan.

Department for Personnel Administration

Division of Staffing Services

The Division of Staffing Services consists of the following organizational units:

- The **Employment Counseling Branch**
- The **Applicant Processing Branch**
- The **Register Branch**
- The **Staffing Analysis Branch**
- The **Recruitment Branch**

The Division of Staffing Services is responsible for operation of a centralized applicant and employee counseling program; the examination program for state employment; 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; the construction of merit examinations; and coordination of outreach programs for recruitment of applicants and the administrative internship programs.

Merit Employment: The merit employment function of Kentucky State Government, includes the recruitment, testing, and placement of competitive (new) employees and the promotion of existing employees under KRS 18A.005-18A.200 and 101KAR and all related statutes and regulations which relates to the merit staffing and employment functions of the Commonwealth. This covers administering such statutes as; KRS 61.300 dealing with qualifications of non-elective peace officers, KRS 61.373 restoration of employees to positions previously held after being released from military duty, in addition to other statutes and regulations that relate to the employment of individuals in 427 different state job classes which require a license or certification to perform the duties assigned to the position.

Implementation of Empower Initiatives: The Division of Staffing Services was charged with the responsibility of automating the merit employment function of the Commonwealth in 1997. The task was to implement the original deliverables, listed below, approved in 1997 by the Governor's Office. The implementation of the deliverables was completed in 2003, but was expanded and continues to be refined and automated on a regular basis.

Expanded Outreach Recruiting Program: The State Personnel Cabinet and the State EEO Office has partnered with 73 other state agencies to recruit applicants for critical and difficult to fill positions. A personnel program consultant is assigned from the Equal Employment Opportunity State Coordinator's office to work with and assist the Outreach Recruiting team when recruiting applicants for specific job classes. Three factors have been used to identify classes targeted for Outreach Recruiting as follows: (1) EEO Utilization Statistics, (2) Turnover Rates and (3) Agency Recommendations based on their recruiting priorities. The outreach recruiting team meets monthly and schedules from forty to sixty outreach recruiting events annually at various locations throughout the state. These recruiting events have assisted agencies in maintaining and improving their statistics relative to the utilization of protected classes and in achieving their hiring goals.

Department for Personnel Administration

Between 1997 and 2003, the new program’s initiatives and automation of the employment function in the Division of Staffing Services has provided the capacity to increase the division’s workload between 308-547% annually with a 25-30% increase in resources as indicated by the chart below. It also has enabled the cabinet to move forward in meeting its major goal of establishing “OPENNESS” as it relates to Personnel policies, procedures and information needed by employees and citizens of the Commonwealth in order to participate fully in the Personnel system outlined under KRS 18A and 101 KAR’s.

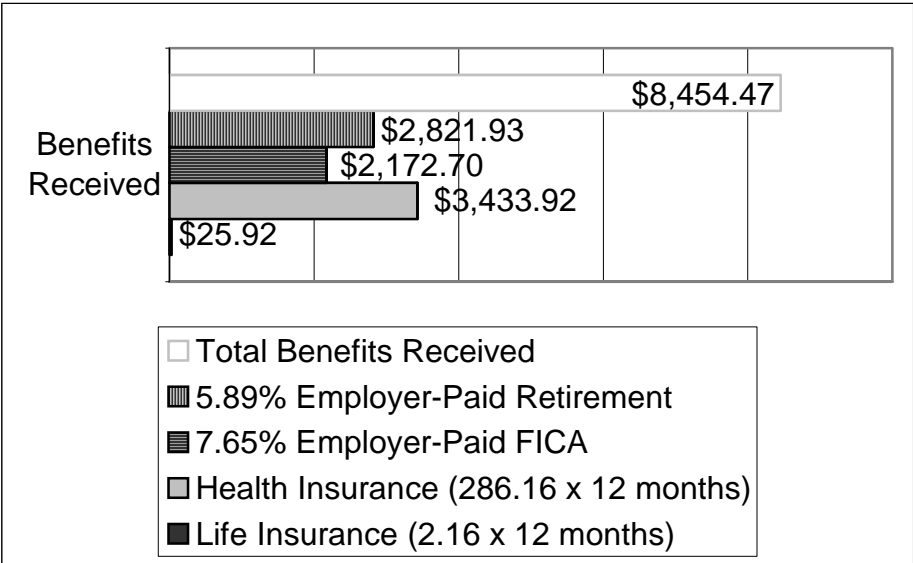
Written Examinations Constructed.....	31
Number of Training and Experience Ratings.....	2,512
Applicants Interviewed.....	13,104
Mail Processed.....	41,204
Education Verifications.....	28,408
Registers Issued.....	5,470
Appointments from Register.....	3,375
Examinations Processed.....	30,100
Phone calls.....	73,355

Employee Facts

Average Annual Salary \$36,888

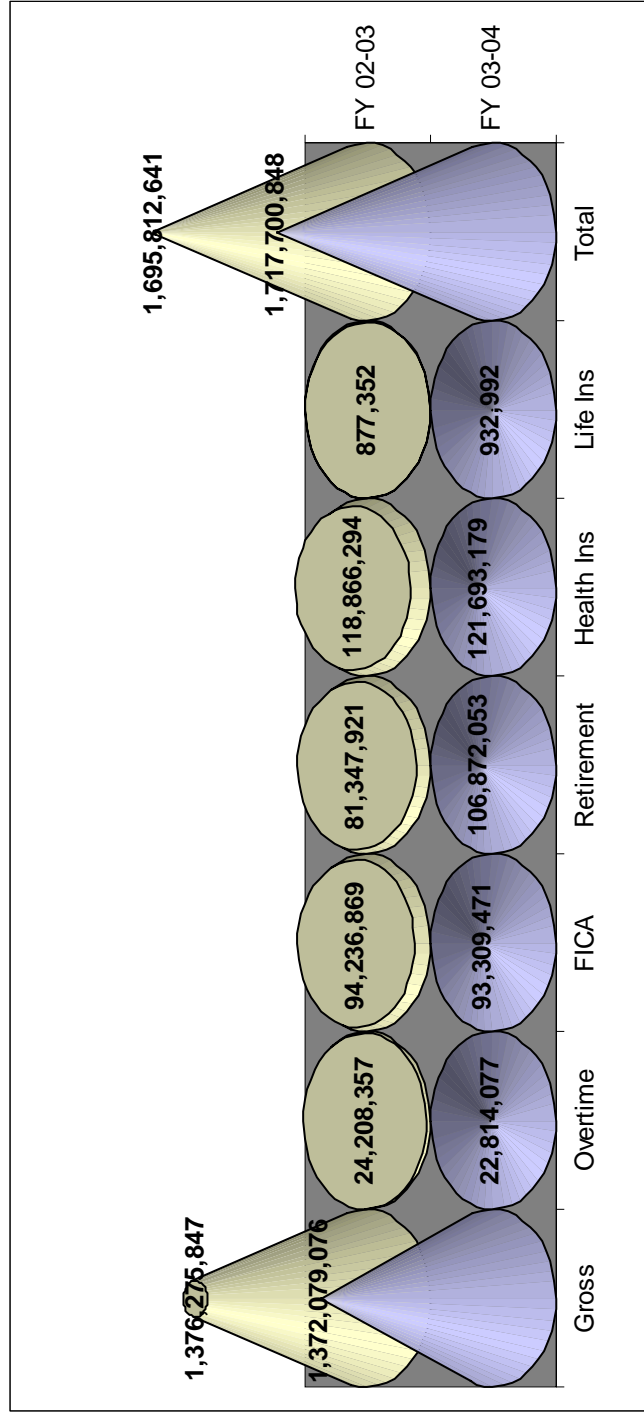
Executive Branch
 Permanent Full-Time Employees
 As of June 30, 2004

Average Annual Benefits \$8,454.47



Average annual gross salary	\$36,888	=	81% of total compensation
Average annual benefits	<u>8,454</u>	=	19% of total compensation
Average annual total compensation	\$45,342	=	100%

Executive Branch*
Total Payroll Dollar Disbursement



*Regular P-1 Employees. Excludes AOC, LRC, CETA Employees, PVA's, Unified Prosecutorial System, and Constitutional Officers

Employee Facts

**NUMBER OF EMPLOYEES
IN
STATE GOVERNMENT
(AS OF JUNE 30, 2004)**

Executive Branch.....	37,776
Legislative Branch	445
Judicial Branch	3,485

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

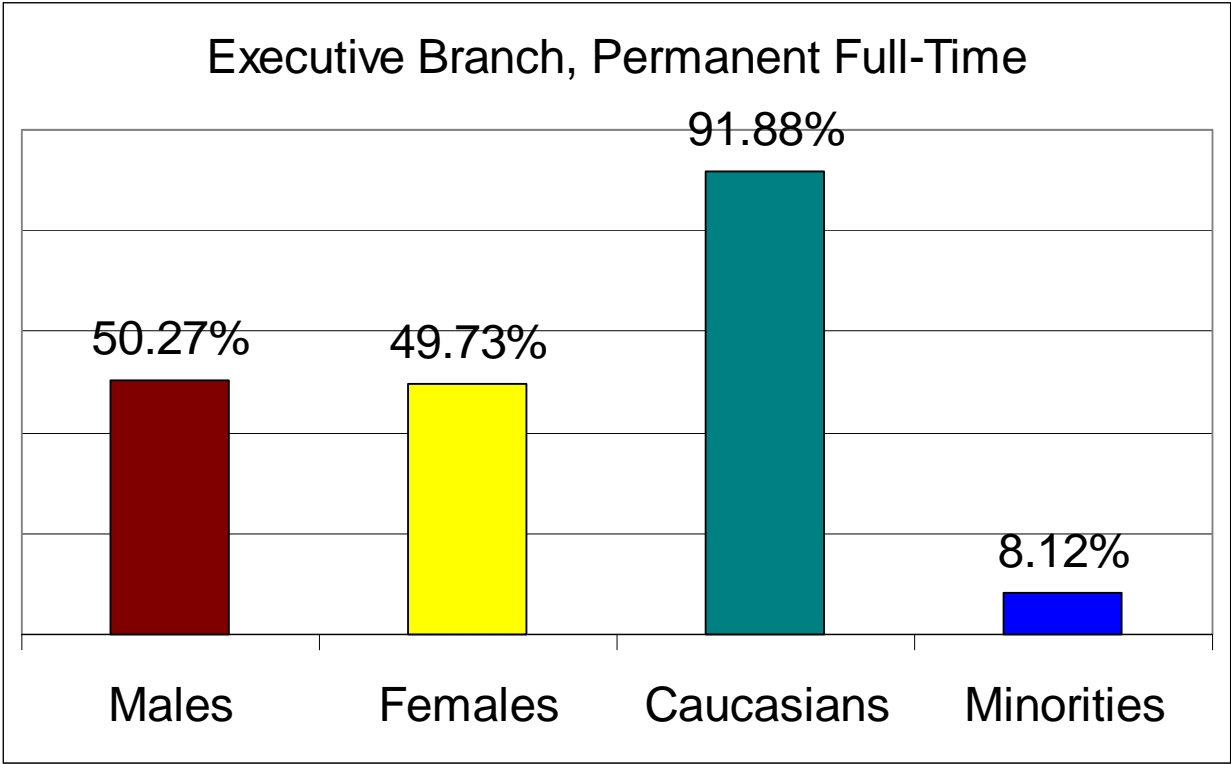
49.79% are female

8.17% are minority

Employee Facts

PERCENTAGE OF EMPLOYMENT BY RACE AND SEX

As of June 30, 2004



Employee Facts

Employee Status Summary as of June 30, 2004

