

# Personnel Cabinet Annual Report 2006-2007



*"A land of diversity - full of opportunity"*

Ernie Fletcher  
Governor

Brian J. Crall  
Secretary

2006-2007  
Annual Report

Personnel Cabinet

All information contained in this report is as of  
June 30, 2007

Prepared by:  
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# Table of Contents

<b>From the Desk of Secretary Brian J. Crall</b> .....	i
<b>Core Values, Vision and Mission</b> .....	1
<b>Organizational Chart</b> .....	2
<b>Personnel Cabinet Responsibilities</b>	
Office of the Secretary.....	3
<b>Office of Administrative Services</b>	
Administrative Services Branch.....	3
<b>The Governmental Services Center (GSC)</b> .....	3
<b>Office of Human Resource Planning &amp; Diversity Initiatives</b> .....	4
<b>Office of Legal Services</b> .....	4
<b>Office for Employee Relations</b>	
Division of Employee Benefits.....	5
Division of Employee Services & Recognition.....	5
<b>Department for Employee Insurance</b>	
Division of Insurance Administration.....	6
Division of Financial & Data Services.....	7
<b>Department for Personnel Administration</b>	
Division of Employee Management.....	8
Division of Staffing Services.....	8
Division of Human Resource Projects.....	8
<b>Kentucky Employees Deferred Compensation Authority</b> .....	8
<b>Personnel Cabinet Accomplishments</b> .....	9
<b>Employee Facts</b> .....	64
<b>Personnel Cabinet Expenditures</b> .....	68



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**ERNIE FLETCHER**  
**GOVERNOR**

**BRIAN J. CRALL**  
**SECRETARY**

September 30, 2007

Governor Ernie Fletcher  
700 Capital Avenue  
Frankfort, KY 40601

Legislative Research Commission  
700 Capital Avenue  
Frankfort, KY 40601

Personnel Board  
28 Fountain Place  
Frankfort, KY 40601

Dear Governor Fletcher, Legislative Research Commission and Personnel Board:

Pursuant to KRS 18A.030 (2) (1), I am pleased to submit to you the Annual Report of the Personnel Cabinet for the fiscal year ended June 30, 2007. This report will attempt to provide you with a thorough overview of the financial, statistical and historical information pertaining to the services provided by this cabinet. We will continue to use this information to further our strategic plan in concurrence with Governor Fletcher's vision for Kentucky.

The Personnel Cabinet successfully operated and administered the Commonwealth's state-wide self-insured health program for employees. The move to self-funding at the Governor's direction has proven significant in holding premium increases down while maintaining employee benefits. In fact, the premium increase of 5.93% for the current plan year is one of the lowest increases in more than a decade and was less than half of the national trend. Even more striking, the Cabinet was able to do this while maintaining benefits at levels consistent with those of the past decade. We continue our emphasis on wellness rather than illness and on long-term health instead of short-term fixes.

Another major development includes moving forward with Phase 1 is the Kentucky Human Resource Information System (KHRIS) Project. KHRIS is on track with Career Opportunities which will allow job applicants to apply online while providing hiring managers within state government the ability to more easily search for qualified applicants through technology. This new system is scheduled to come online by the end of 2007. Applicants will have online access to "live help," meaning a staffing services professional will answer their questions directly through a web chat line. In awarding the contract for the KHRIS project, the Cabinet was able to negotiate a price 20% less than originally budgeted. The Cabinet continues its work, along with collaborators from every Cabinet and many agencies, toward full implementation of the KHRIS system in the next 24 months.

Governor Fletcher  
September 30, 2007  
Page Two

During this timeframe, the Personnel Cabinet also established the Office of Human Resource Planning and Diversity Initiatives. This office is charged with assisting agencies in compliance with federal guidelines regarding equal employment opportunity issues. The office is also charged with assisting agencies with efforts to reach Governor Fletcher's aspirational goal of hiring 52.42% women and 10% minorities throughout state government.

During this year the Cabinet has created a collaboration with the Department for Veterans Affairs to employ a Veteran's Liaison in the Staffing Services Division designated to assist veterans in completing the application and assisting their employment search with the state. This new service has proven very effective in assisting veterans in translating their military service into our public service application and has served to help increasing numbers of veterans legitimately qualifying for positions in which they have interest.

Finally, as of the time of the submission of this report, the Personnel Cabinet is moving its operation to the first three floors of the Old State Office Building located on High Street. This newly renovated building will provide much greater and easier access for current and aspiring state employees in need of our services.

In short, we remain focused on our primary mission of serving the approximately 35,000 state employees who serve our more than 4.2 million citizens.

Sincerely,

A handwritten signature in blue ink that reads "Brian J. Crall". The signature is written in a cursive, flowing style.

Brian J. Crall  
Secretary

# **Core Values, Vision and Mission**

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## **CORE VALUES**

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

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

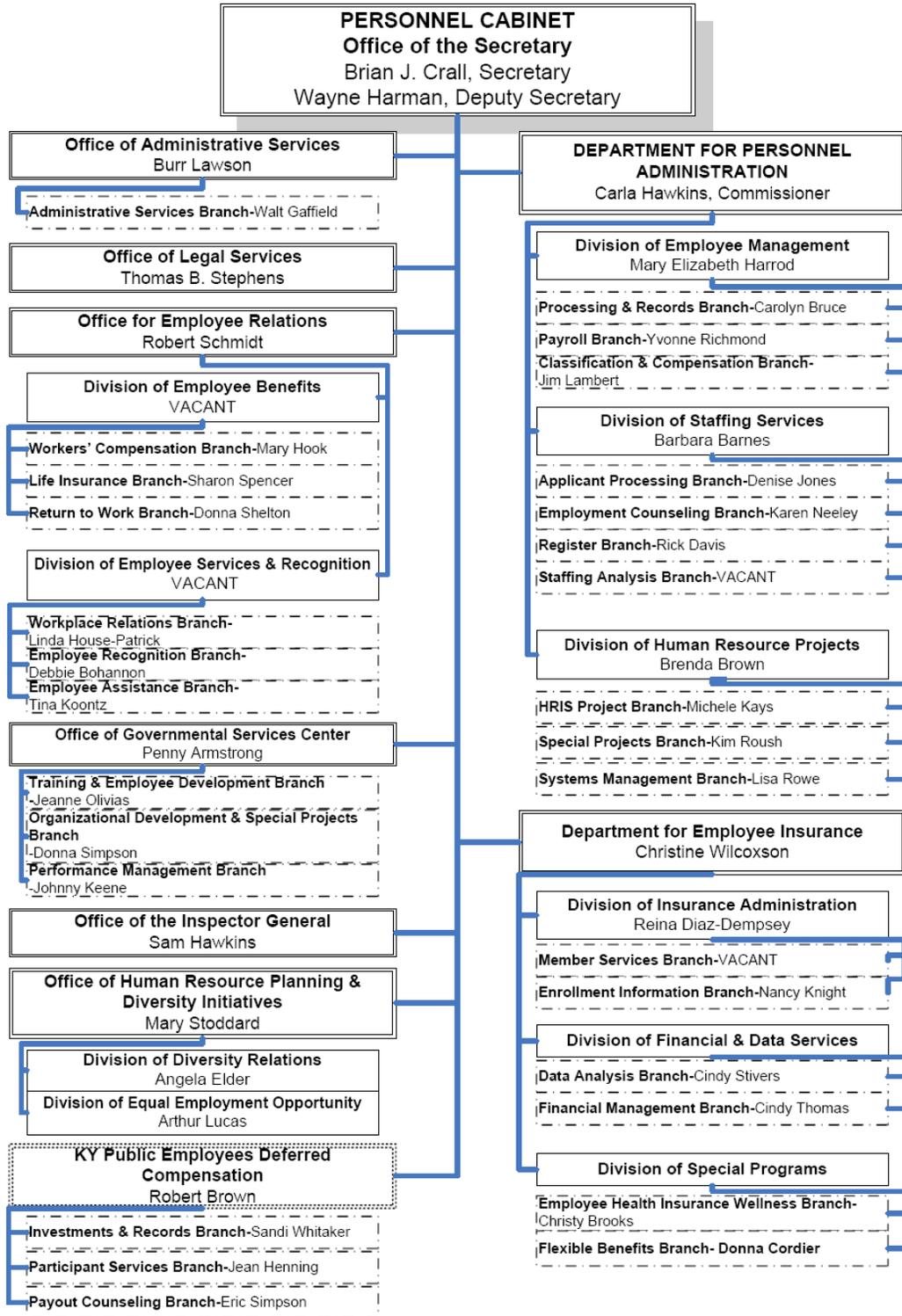
## **VISION**

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

## **MISSION STATEMENT**

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

# Organizational Chart



# Responsibilities

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## 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 personnel laws and rules, prepares budget estimates for support of the personnel system, provides personnel services to unclassified employees according to agency agreements, and provides for such other services as are enumerated in KRS 18A.030. Within the Office of the Secretary are the Offices of Administrative Services and Legal Services and the newly created Office of the Inspector General.

## Office of Administrative Services

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

### **Administrative Services Branch**

The Administrative Services Branch within the Office of Administrative Services is responsible for cabinet budgeting, accounting, purchasing, property management and payroll administration.

## The Governmental Services Center (GSC)

The Governmental Services Center (formerly the Office for Employee and Organizational Development) has been instrumental in enabling the Personnel Cabinet to meet its statutory duties and responsibilities in the areas of employee and organizational development. The Governmental Services Center is comprised of the Executive Director's Office, Organizational Development and Special Projects Branch, the Training and Employee Development Branch, and the Performance Management Branch.

The Governmental Services Center is in the business of change - helping to improve individual and organizational performance throughout Kentucky government. It acts as the catalyst for change statewide through its employee training and organizational consulting services. In addition, the Governmental Services Center is the "champion" for the state's statutorily required strategic planning program, which assists agencies in updating their plans.

# Responsibilities

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## Office of Human Resource Planning & Diversity Initiatives

The Office of Human Resource Planning and Diversity Initiatives is responsible for the coordination of human resource planning and diversity initiatives statewide. This office is responsible for the dynamic needs of workforce planning in the areas of EEO/Affirmative Action, recruitment, retention, diversity inclusion training, and cultural competency as related to workforce diversity for state government. Twice a year, in the Semi-Annual Report on Female and Minority Employment, the Office of Human Resource Planning and Diversity Initiatives reports the state's progress to the Personnel Cabinet Secretary.

In accordance with workforce planning regarding equal employment and compliance with the equal employment opportunity laws, this office advises agencies as to the handling and investigation of discrimination complaints including the monitoring, tracking, and reviewing of discrimination complaints. The staff provides technical assistance, training, and resources on EEO, diversity, and sexual harassment prevention to the Personnel Cabinet and, upon request, to other state agencies. In conjunction with training, this office develops and coordinates the Annual Governor's EEO Conference which is the primary continuing education and training event for EEO counselors and coordinators, personnel executives, and managers.

The Office of Human Resource Planning and Diversity Initiatives also serves as the central recruiting coordinator for all of state government and assists agencies in their recruiting efforts. In addition, this office oversees other diversity initiatives such as the Governor's Diversity Day, the Diversity Resume Data Base, and publishes the *Scope of Diversity Newsletter*, a monthly newsletter for EEO Coordinators and personnel executives. Moreover, this office works in collaboration with the Governor's Office of Minority Empowerment to assess, monitor, and evaluate the Governor's Minority Management Program.

## Office of Legal Services

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

# Responsibilities

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## Office for Employee Relations

### 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 the Employee Relations' programs and staff. In addition to the regular duties within the two divisions, this office coordinates the Personnel Cabinet's Annual Employee Appreciation Day, which is part of Public Employee Recognition Week and Employee of the Quarter.

### Division of Employee Services and Recognition

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

### Division of Employee Benefits

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

## Department for Employee Insurance (DEI)

### Mission Statement

The Department for Employee Insurance (DEI) is responsible for overseeing the Kentucky Employees Health Plan (KEHP) for the Commonwealth's approximate 192,000 employees along with their dependents.

# Responsibilities

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DEI is also responsible for the Flexible Benefits Account Programs. The department's objectives are to:

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

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

## **Division of Insurance Administration**

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

### **Member Services Branch**

This branch is responsible for providing customer service to the KEHP members; assisting with open enrollment processing; educating members on health insurance issues; and performing other related health insurance functions, including assistance with claim issues.

### **Enrollment Information Branch**

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

## **Division of Financial & Data Services**

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

# Responsibilities

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## **Financial Management Branch**

This branch is responsible for implementing and maintaining the Premium Billing and Reconciliation (PB&R) database, collecting premiums and administrative fees paid by each agency participating in the KEHP. This is accomplished by creating monthly invoices for participating agencies through the PB&R database and contacting insurance coordinators monthly regarding discrepancies. This branch is also responsible for reimbursing the TPAs for claims and administrative fees, along with reconciling any discrepancies to the contractual obligations. This branch oversees the KEHP Trust Fund and produces statutory and ad hoc reports for the General Assembly, Kentucky Group Health Insurance Board, Employee Advisory Committee advocate groups, other interested parties, as well as, Governor Fletcher.

## **Data Analysis Branch**

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

## **Division of Special Programs**

This division consists of two branches, the Flexible Benefits Branch and the Employee Health Insurance Wellness Branch.

## **Flexible Benefits Branch**

This branch is responsible for the Health Reimbursement Accounts (HRA) and Flexible Spending Accounts (FSA). The branch provides customer service to the KEHP members with flexible benefit accounts; assisting with open enrollment processing; maintaining an eligibility and enrollment database for all participants; providing liaisons to insurance coordinators and Third Party Administrators (TPA) to meet enrollment and eligibility data needs; billing and reconciliation for all flexible benefit accounts; educating its members on flexible benefit issues; and performing other related health insurance functions.

# Responsibilities

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## **Employee Health Insurance Wellness Branch**

This branch is responsible for the support of numerous wellness initiatives for our KEHP. These initiatives include the development and implementation of KEHP wellness programs; spearheading wellness coalition activities/programs between state agencies; monitoring, evaluating and reporting results of wellness initiatives; and the development of educational communications and training strategies. This branch coordinates with the Governor's Office of Wellness and Physical Activity.

## **Department for Personnel Administration**

The Department for Personnel Administration ensures individuals and agencies receive the highest quality of reliable, innovative and comprehensive human resource services. These services include employment counseling, employee records administration, management of the state's classification and compensation system, and operation of the state payroll system.

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

## **Kentucky Public Employee's 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).

# Accomplishments

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## Office of Administrative Services

### Administrative Services Branch

The Office for Administrative Services provides fiscal and human resources management for the Personnel Cabinet. Over the course of the fiscal year ending June 30, 2007, the Cabinet had a slight decrease in its number of permanent full-time employees from 226 to 223, a decrease of roughly one percent (1%) over the course of the fiscal year after an increase of 9.7% the year before. The Office anticipates an increase in FY 2008 because of expanding responsibilities associated with the new personnel/payroll system, KHRIS.

The Office implemented the Commonwealth's new eMARS financial system in the Personnel Cabinet beginning on July 1, 2006. eMARS made it necessary to completely change accounting, purchasing, management reporting and property management functions, and office staff helped train fiscal employees throughout the Cabinet. Staff completed the transition to the new system successfully without major problems or issues.

Throughout the year, we worked with the Department for Facilities Management to plan a move from leased property at 150 Fair Oaks, 200 Fair Oaks, and 801 Teton Trail to the renovated State Office Building with the move anticipated for September 2007. We also assisted the Deferred Compensation Authority in its move from 105 to 101 Sea Hero Drive. The various moves involve nearly the entire cabinet and virtually all systems—telephone, electric, information technology, copiers, and furniture.

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

## Governmental Service Center (GSC)

### Strategic Planning: July 1, 2006 – June 30, 2007

The Governmental Services Center (GSC), at the request of the Office of the State Budget Director, has assisted the Executive Branch program cabinets and administrative entities in fulfilling the statutory strategic planning requirements since the creation of KRS 48.810.

In FY 2006, each program cabinet and the two specified administrative entities, the Department of Military Affairs (DMA) and the Governor's Office for Local Development (GOLD), created and submitted four-year strategic plans with the agency's biennial budget proposals, as required by the statute. The Governmental Services Center provided training, guidance and consulting services to facilitate the development of those plans in accordance

# Accomplishments

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with the statute. Each of the specified program cabinets and administrative entities fulfilled the requirement to submit a four-year strategic plan. Additionally, the Governmental Services Center, with the assistance of the Commonwealth Office of Technology, created an electronic document repository in order to make strategic plans available to the public and to interested stakeholders.

Moreover, KRS 48.810 requires that in the non-budget-submission years, each program cabinet and specified administrative agency submit a report on the progress it has made on achieving the goals and objectives in the prior year's strategic plan. In FY 2007, the Governmental Services Center provided templates, guidance and consulting support for each agency to comply with the progress report request section requirement of the statute. The resulting progress reports were made available in the strategic plan document repository (accessible on the GSC webpage on the Personnel Cabinet website).

Each of the specified program cabinets and the Department of Military Affairs fulfilled the requirement and has a strategic plan progress report available electronically on the GSC webpage.

FY 2008 is another budget submission year, each agency will be required to revise or update and resubmit a four-year strategic plan. The Governmental Services Center in consultation with the Office of the State Budget Director is preparing to support the process again. In anticipation of the requirement, many agencies have already initiated contact with GSC.

## Workforce Planning

The Governmental Services Center completed the tabulation of a survey for all supervisors (employees who conduct annual performance evaluations for other employees) in October 2006 to assess human resource needs in the face of a significant number of vacancies due to retirement anticipated to occur in 2008.

Key results of the survey:

- ✓ **79%** of the respondents indicated the potential losses would affect their organizational units' ability to accomplish its mission, goals and objectives.
- ✓ **42%** of the respondents indicated that *no activities* have taken place to identify and capture the responsibilities and key work-related knowledge of the potential retiree and less than **1%** indicated an action plan has been completed.
- ✓ **43%** of the respondents indicated that *no knowledge transfer activities* such as cross-training, shadowing, and interviews have been used to capture the responsibilities and key work-related knowledge of the potential retiree.
- ✓ The demand of managing the day to day operations of their organization has not allowed agencies to be as prepared as they would prefer. It is apparent that every entity in state government could benefit from assistance in developing a Workforce Plan.

# Accomplishments

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This survey provided the information necessary for the Governmental Services Center to develop a Workforce Planning Guide, templates, and tools to assist agencies with their workforce planning processes and in developing their workforce plans and is available on GSC's website at: <http://personnel.ky.gov/gsc>

The Governmental Services Center will provide consultation upon request to assist agencies in developing their workforce plans.

## Performance Management Branch

- Conducted 'Performance Matters' employee evaluation supervisor training for approximately **722** supervisors and interested employees.
- Provided consulting services regarding Performance Management for the Administrative Office of the Courts resulting in training of 266 participants.
- Completed a statewide audit of 2005 performance evaluations. This effort resulted in the auditing of **2,582** or **10%** of all evaluations conducted during the 2005 performance period.
- Monitored and provided assistance to agencies in the administration of the employee performance evaluation system resulting in verification of the following achievements:
  - ✓ **27,570** or **97.4%** of all eligible employees met with their supervisor during the required April 2006 interim review meeting to discuss their work performance progress. (*verified August 2006*)
  - ✓ **26,096** or **97.1%** of all eligible employees met with their supervisor during the required August 2006 interim review meeting to discuss their work performance progress. (*verified December 2006*)
  - ✓ **24,925** or **97.8%** of all eligible employees received an annual evaluation for the 2006 performance year.
  - ✓ **27,514** or **98.4%** of all eligible employees met with their supervisor to discuss and sign their 2007 performance plan.
  - ✓ **26,772** or **97.7%** of all eligible employees met with their supervisor during the required April 2007 interim review meeting to discuss their work performance progress. (*verified August 2007*)

# Accomplishments

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## Certified Public Manager Program

The Governmental Services Center has completed the first year of the refined Kentucky Certified Public Manager® (KCPM) Program. The Kentucky Certified Public Manager Program® is a nationally accredited management certificate program that is challenging, disciplined, current and comprehensive. Kentucky is 1 of 26 states, District of Columbia, and the USDA Graduate School in the nation accredited by the National Certified Public Manager Consortium. There are also 5 additional states in associated status soon to be accredited.

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

The previous structured KCPM program ended successfully in April 2007 with 208 graduates, thus ending the old program.

The new program structure started with the first cohort in the Fall of 2006. There were 30 candidates representing a majority of the cabinets who started the first online Kentucky State University (KSU) class, PUA 301V8 – Budgeting Process. The introduction of the university courses has had an expected impact on the candidates entering the KCPM program. In the new program there is greater personal responsibility and a higher level of commitment. Currently 11 candidates of Cohort 1 have successfully completed the third online course; PUA 302V8 – Public Sector Management and are expected to enroll in PUA 401V8 – Organizational Behavior and the Bureaucratic Sector for the Fall of 2007 semester.

Noting some of the challenges with the new program format and addressing the difficulties with cohort 1, the Governmental Services Center invited the program participants to speak at the future orientations and inform the following groups of the needed commitment to be successful. As a result, the second cohort started in the Spring of 2007 with 30 candidates and 20 have successfully completed both online Kentucky State University courses and are expected to be enrolled for the Fall of 2007.

Working in partnership with Kentucky State University to inform candidates of additional on campus resources to assist non-traditional students has helped tremendously. Cohort 3 that began their program in the Summer of 2007 had 29 candidates complete the first online KSU course. Additionally, there are 30 candidates slated to enter the program for the Fall of 2007 as cohort 4.

# Accomplishments

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## **Kentucky's Capstone Wins a National Award**

The National Association of Government Training and Development (NAGTAD) awarded the Governmental Services Center Kentucky Capstone as the 2007 Program of the Year. Capstone is a team made up of potential Certified Public Managers (CPM) that completes projects for sponsors from state government. The projects vary based upon the agencies' needs. Often times teams may be required to collect data and organize it accordingly for the sponsor. Capstone has worked with seven of the nine cabinets in Kentucky and has completed projects for the Office of Minority Empowerment and the Governor's Office for Local Development (GOLD). The Capstone program has been well received by the participants and has proven to be a successful and valuable program. The program offers several benefits including making efficient use of the state's limited resources and giving the participants the opportunity to learn more about the operation of Kentucky's state agencies and other states' agencies.

## **Certificate of Management Fundamentals (CMF) and the Governor's Minority Management Training Program (GMMTP)**

The Governmental Services Center has been working with the Governor's Office of Minority Empowerment to provide the participants of the Governor's Minority Management Training Program with the Certificate of Management Fundamentals. Starting in April 2007 the candidates have been enrolling in the 11 workshops required and all are on track to graduate in the agreed upon one year timeframe, March 2008. Regular audit and review will ensure completion.

## **Training and Employee Development Branch Projects**

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

During the SFY 2007, 69 consulting service requests were received, 49 engagements were completed, 6 are in progress, 7 were canceled or expired due to customer request, and 8 are on hold or under agency negotiations. Eight (8) different Cabinets and multiple agencies in General Government were represented. Below are examples of some of the consulting engagements:

- ✓ Assisted the Kentucky Retirement System (KRS)) with developing specialized training for a group that has undertaken a project to implement a new pension administration system. This project, Strategic Technology Advancements for the Retirement of Tomorrow (START), will significantly alter the way KRS conducts

# Accomplishments

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business and serves their active members and retirees in the future. This training was designed to provide necessary skills to the START project team prior to kickoff, as well as to build team cohesiveness.

- ✓ Assisted the General Government Department of Military Affairs in reviewing and examining their existing business process of their work management system. Provided guidance in mapping the “To Be” business process of the Division of Facilities work management system; further assisted them in defining roles and responsibilities of state and federal personnel. In addition, a project facilitator lead the group in identifying needs for both state and federal personnel as well as expectations for the proposed work management system.
- ✓ Assisted the Education Cabinet, Office of the Secretary in providing three facilitators to facilitate a joint meeting between The Kentucky Department of Education, The Office of Career and Technical Education and the Kentucky Community and Technical College System. They were developing a consistent curriculum designed to create a Career pathway for students in those disciplines.

## Online Distance Learning Initiative

With a workforce of over 35,000 employees scattered across 120 counties, Kentucky struggles to provide our employees, especially those in remote locales and those working on shifts, with equitable access to quality training opportunities.

Implementation of an online training program is being proposed as a cost-effective means of enhancing the skills and productivity of our workforce, while improving service delivery. To date an Online Distance Learning Coordinator has been hired to implement the distance learning initiative for the Governmental Services Center. Online learning provides many benefits, including enormous savings in terms of travel costs and employee time away from work. Just in time training and the elimination of no shows and cancellations for training events will have a direct impact on the ability of employees of the Commonwealth to acquire or enhance skills needed today. Unfortunately, online training costs can be prohibitive for organizations. However, through a careful mix of in-house development, identification of low or no-cost tools for building interactivity and the negotiation of creative pricing models for commercial products, the Governmental Services Center will be able to offer a varied menu of engaging online courses at minimal costs to GSC and without an increase in assessment fees for the agencies.

The Governmental Services Center is proposing the resources to include multimedia programming, interactive quizzes, collaborative activities, virtual classroom training sessions and classroom ‘learning labs’ to supplement online programs – all at a cost that is not beyond our current budgeting structure.

**The Governmental Services Center  
Training Data:  
July 1, 2006 – June 30, 2007**

<b><i>Participant Information</i></b>		
<b>Cabinet</b>	<b>Duplicated Totals (Counted Each Time They Attend)</b>	<b>Unduplicated Totals (Each Individual Only Counted One Time)</b>
Commerce	185	114
Economic Development	12	6
Education	183	122
Environmental & Public Protection	282	175
Finance & Administration	316	122
General Government	263	142
Health & Family Services	232	111
Judicial Branch	9	6
Justice & Public Safety	150	101
Kentucky State University	9	5
Legislative Branch	7	3
Local Government	2	1
Personnel	86	59
Transportation	213	142
<b>TOTAL</b>	<b>1949</b>	<b>1109</b>
<b><i>Workshop Information</i></b>		
Regular Workshops (Including CMF and CPM)		88
Specials		7
Online		0
<b>TOTAL</b>		<b>95</b>
<b><i>KCPM Information</i></b>		
CMF Active		3*
CMF Made Inactive		67
CMF Completed		36
<b>Total CMF Participants</b>		<b>106</b>
CPM Active		61
CPM Made Inactive		22
CPM Completed		168
<b>Total CPM Participants</b>		<b>251</b>
CMF Workshops		50
CPM Workshops		29
<b>TOTAL</b>		<b>79</b>

\*Under new CMF program, CMF certification does not require an application and GSC does not track participants. They submit audit request once they have completed all of their classes and their project.

## Accomplishments

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### Office of Human Resource Planning & Diversity Initiatives

The Office of Human Resource Planning and Diversity Initiatives is committed to assisting agencies in the many efforts needed to create and maintain a diverse workforce. Its mission is to assist the Commonwealth and its agencies in developing collaborative and innovative strategies to achieve and maintain an inclusive and diverse workforce.

During the fiscal year 2006-2007, The Office of Human Resource Planning and Diversity Initiatives EEO accomplishments included:

- The completion of two Semi-Annual Reports on Female and Minority Employment. In 2005 the goals for minority employment were raised based on data from the 2000 U.S. Census from 7.51% to 10.00%. The goal for female employment remained the same at 52.42%. As of June 30, 2007, the percentage of minority employees for state government was 9.08%. The percentage for female employees for state government was 49.60%.

There are two cabinets that exceeded the goals for minority employment: Cabinet for Health and Family Services and Personnel Cabinet.

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

- Consultation with agency executives of approximately five Cabinets with regards to assessing ways to meet the state Affirmative Action Plan goals and providing updates on the legally required EEO-1 work force data reporting requirements.
- Completion of the legally required EEO-4 work force data report.
- The development and implementation of EEO training modules designed to educate employees on the protected classes of Title VII and methods to prevent discrimination.
- The conduction of employee EEO training and/or informational sessions for approximately 133 interested employees.
- The coordination and implementation of the 20<sup>th</sup> Annual Governor's EEO Conference hosting over 300 employees and featuring over 20 presenters.

# Accomplishments

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- In April 2007 the Office of Human Resource Planning and Diversity Initiatives implemented a new tracking data base for internal EEO complaints and have recorded 40 complaints from 34 different agencies.
- Hosting a statewide EEO coordinator training luncheon responsible for educating EEO coordinators on EEO laws in the context of daily work situations and providing updates regarding the development of the EEO complaint tracking data base system.
- The development and publication of an EEO Coordinator's Training Manual designed to provide EEO coordinators the EEO law, state policies and procedures.

The diversity initiatives for this fiscal year included:

- Recruitment efforts including attendance at 22 career fairs, two high school career events, and the collection of approximately 400 resumes for the Diversity Resume Data Base as well as community network and relationship building.
- The development of Diversity training modules, designed to raise employee awareness related to diversity and organizational competency issues.
- The conduction of employee diversity training and/or informational sessions for approximately 316 interested employees.
- The publication of eleven issues of the *Scope of Diversity Newsletter*, a newsletter for state EEO coordinators and personnel executives.
- The maintenance of the EEO and Diversity web pages on the Personnel Cabinet website for the purpose of disseminating EEO and Diversity policy and information.
- The coordination and implementation of the 10<sup>th</sup> Annual Diversity Day with eleven schools (approximately 390 students) and 38 exhibitors in attendance with an 86.36% approval rating.

Programs currently in the development stage include:

- Program development and coordination of the 21<sup>st</sup> Annual Governor's EEO Conference scheduled for September 2007.
- Program development and coordination of the 11<sup>th</sup> Annual Governor's Diversity Day scheduled for March 2008.

# Accomplishments

- The design and implementation of assessment tools to be utilized as a part of the Governor's Minority Management Training Program.
- Consultation with the Department of Personnel Administration executives in assessing the equal employment issues in terms of recruitment and the application process.
- The development of a program schematic for affinity diversity groups designed to create networking and serve as an internal support system for employees. Such a program may also serve as a tool for diversity recruitment.
- Ongoing employee diversity and EEO training.
- The continued development and implementation of educational training modules.

## EQUAL EMPLOYMENT OPPORTUNITY DATA AS of June 30, 2007

<b>Statewide Minority Utilization Table</b>						
<b>EEO Job Category</b>	<b>Total Employees</b>	<b>Total Minority Employees</b>	<b>Minority % Goal</b>	<b>Current Minority %</b>	<b>UNDER UTILIZED</b>	<b>No. Minority Needed</b>
<b>OFFICIALS &amp; ADMINISTRATORS</b>	3,140	218	10.00%	6.94	YES	96.0
<b>PROFESSIONALS</b>	16,562	1,501	10.00%	9.06	YES	155.2
<b>TECHNICIANS</b>	1,862	128	10.00%	6.87	YES	58.2
<b>PROTECTIVE SERVICE WORKERS</b>	3,335	273	10.00%	8.19	YES	60.5
<b>PARA PROFESSIONALS</b>	<b>2,333</b>	<b>361</b>	<b>10.00%</b>	<b>15.47</b>	<b>NO</b>	<b>0</b>
<b>OFFICE &amp; CLERICAL</b>	2,252	163	10.00%	7.24	YES	62.2
<b>CRAFTSMEN</b>	2,475	154	10.00%	6.22	YES	93.5
<b>SERVICE MAINTENANCE</b>	<b>1,755</b>	<b>249</b>	<b>10.00%</b>	<b>14.19</b>	<b>NO</b>	<b>0</b>
<b>OTHER</b>	<b>4</b>	<b>0</b>	<b>.%</b>	<b>0</b>	<b>NO</b>	<b>0</b>
<b>TOTAL</b>	<b>33,718</b>	<b>23,047</b>		<b>9.08</b>		

# Accomplishments

<b>Statewide Female Utilization Table</b>						
<b>EEO Job Category</b>	<b>Total Employees</b>	<b>Total Female Employees</b>	<b>Female % Goal</b>	<b>Current Female %</b>	<b>UNDER UTILIZED</b>	<b>No. Female Needed</b>
<b>OFFICIALS &amp; ADMINISTRATORS</b>	3,140	1,310	52.42%	41.72	YES	336.0
<b>PROFESSIONALS</b>	16,562	<b>9,613</b>	<b>52.42%</b>	<b>58.04</b>	<b>NO</b>	<b>0</b>
<b>TECHNICIANS</b>	1,862	700	52.42%	37.59	YES	276.1
<b>PROTECTIVE SERVICE WORKERS</b>	3,335	557	52.42%	16.70	YES	1,191.2
<b>PARA PROFESSIONALS</b>	<b>2,333</b>	<b>1,824</b>	<b>52.42%</b>	<b>78.18</b>	<b>NO</b>	<b>0</b>
<b>OFFICE &amp; CLERICAL</b>	2,252	<b>1,870</b>	<b>52.42%</b>	<b>83.04</b>	<b>NO</b>	<b>0</b>
<b>CRAFTSMEN</b>	2,475	157	52.42%	6.34	YES	1,140.4
<b>SERVICE MAINTENANCE</b>	1,755	690	52.42%	39.32	YES	230.0
<b>OTHER</b>	4	3	.%	<b>75.00</b>	<b>NO</b>	<b>0</b>
<b>TOTAL</b>	<b>33,718</b>	<b>16,724</b>		<b>49.60</b>		

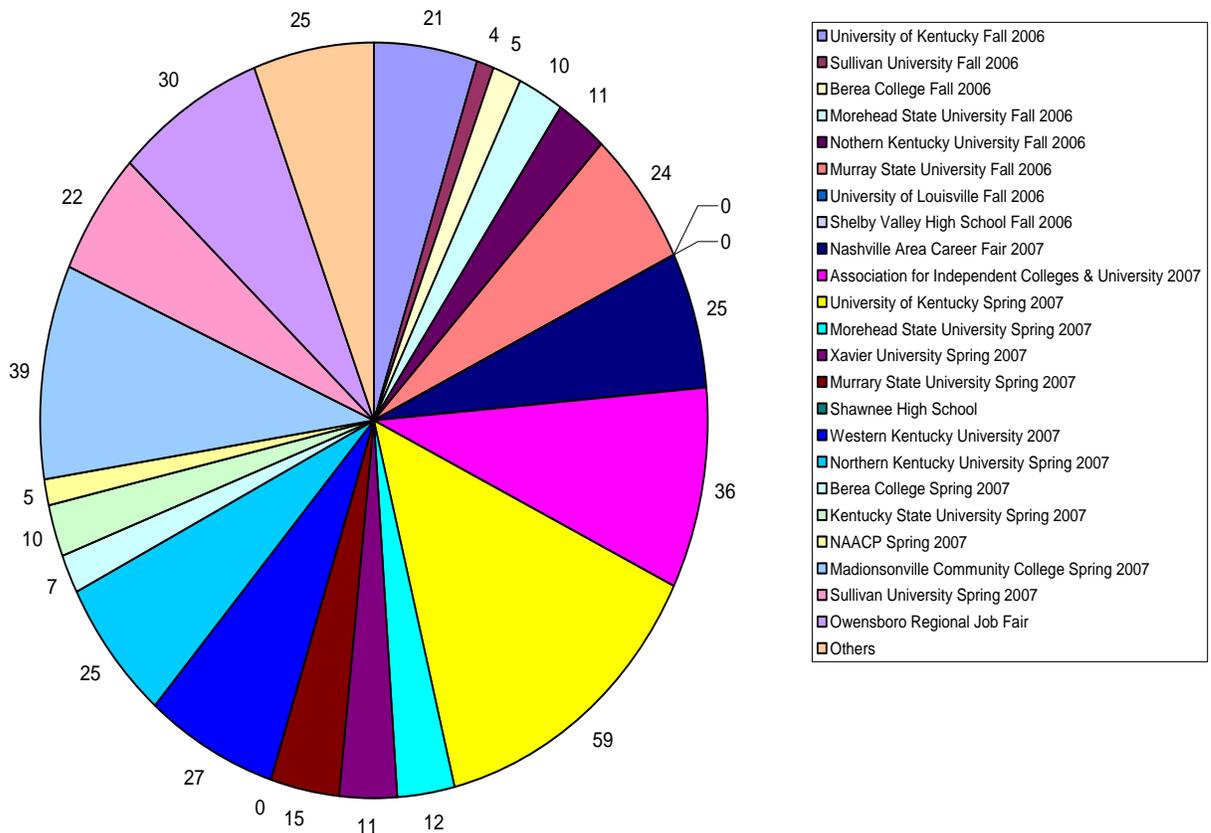
## EQUAL EMPLOYMENT OPPORTUNITY DATA AS of June 30, 2007

<b>Personnel Cabinet Minority Utilization Table</b>						
<b>EEO Job Category</b>	<b>Total Employees</b>	<b>Total Minority Employees</b>	<b>Minority % Goal</b>	<b>Current Minority %</b>	<b>UNDER UTILIZED</b>	<b>No. Minority Needed</b>
<b>OFFICIALS &amp; ADMINISTRATORS</b>	37	5	10.00 %	13.51	NO	0
<b>PROFESSIONALS</b>	154	18	10.00 %	11.69	NO	0
<b>TECHNICIANS</b>	15	2	10.00 %	13.33	NO	0.3
<b>PROTECTIVE SERVICE WORKERS</b>	N/A	N/A	10.00 %	N/A	N/A	N/A
<b>PARA PROFESSIONALS</b>	6	0	10.00 %	0	YES	0.6
<b>OFFICE &amp; CLERICAL</b>	11	2	10.00 %	18.18	NO	0
<b>CRAFTSMEN</b>	N/A	N/A	10.00 %	N/A	N/A	N/A
<b>SERVICE MAINTENANCE</b>	N/A	N/A	10.00 %	N/A	N/A	N/A
<b>TOTAL</b>	<b>223</b>	<b>27</b>		<b>12.11</b>		

# Accomplishments

Personnel Cabinet Female Utilization Table						
EEO Job Category	Total Employees	Total Female Employees	Female % Goal	Current Female %	UNDER UTILIZED	No. Female Needed
OFFICIALS & ADMINISTRATORS	37	20	52.42%	54.05	NO	0
PROFESSIONALS	154	119	52.42%	77.27	NO	0
TECHNICIANS	15	11	52.42%	73.33	NO	0
PROTECTIVE SERVICE WORKERS	N/A	N/A	52.42%	N/A	N/A	N/A
PARA PROFESSIONALS	6	6	52.42%	100	NO	0
OFFICE & CLERICAL	11	11	52.42%	100	NO	0
CRAFTSMEN	N/A	N/A	52.42%	N/A	N/A	N/A
SERVICE MAINTENANCE	N/A	N/A	52.42%	N/A	N/A	N/A
<b>TOTAL</b>	<b>223</b>	<b>167</b>		<b>74.89</b>		

Recruiting Events 2006-2007 Fiscal Year



# Accomplishments

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## Office of Legal Services

- Reviewed and consulted with agency attorneys and administrators with respect to appeals filed with the Personnel Board.
- Represented the Personnel Cabinet in appeals filed with the Personnel Cabinet.
- Represented Personnel Cabinet at status conferences, filing of pleadings, etc. in various Franklin Circuit Court cases.
- Processed 230 requests submitted under the Kentucky Open Records Act and notified agencies and employees in appropriate cases.
- Responded to 85 Investigative Requests for Employment for U.S. Office of Personnel Management
- Filed SPD for 2007 with Personnel Board following review by the Cabinet for Health & Family Services.
- Reviewed and either approved, denied or requested further information on hundreds of police check files.
- Reviewed and either approved or requested additional documentation regarding all disciplinary actions.
- Reviewed and approved numerous temporary reassignments of other agency employees.
- Reviewed and approved special investigative leave letters from other agencies.
- Fielded numerous telephone calls from state employees regarding a wide range of issues.
- Reviewed and approved settlement agreements of Personnel actions involving executive branch agencies.
- Provided ongoing legal assistance to the KHRIS project
- Attended monthly Personnel Board meetings and provided a summary of the Cabinet's activities.
- Attended Legislative Committee hearings.

# Accomplishments

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- Attended and briefed Personnel Council.
- Implemented the Career Opportunity System.
- Redrafted the Plan Documents for the Kentucky Employees Health Plan.
- Presented at the Governor's Equal Employment Opportunity Conference.
- Attended meetings on Group Health Insurance Board.
- Filed Administrative Regulations on Career Opportunity System, 101 KAR 2:046, 101 KAR 2:056, and 101 KAR 2:066.
- Updated Kentucky Employee Handbook.
- Updated all model employment action letters on website.
- Successfully resolved five litigation files.
- Attended and briefed Kentucky Personnel Board on various matters associated with the merit system; investigated and referred Transportation Cabinet Office of Inspector General hiring issue to Personnel Board
- Conducted training on the state personnel system as well as state and federal employment law.
- Briefed LRC on proposed legislation relating to merit system.
- Reviewed various RFPs, and MOAs, and reviewed MOU of Department of Veteran's Affairs regarding liaison position in the counseling branch.

## Office for Employee Relations

This office includes the Executive Director's Office and two divisions, the Division of Employee Benefits and the Division of Employee Services and Recognition. The Employee Services and Recognition division includes the KY Employee Assistance Branch, the Employee Suggestion System, service awards, the KY Employee Mediation Program, the Family and Medical Leave Act, adoption, sick and annual leave sharing programs and the Americans with Disabilities Act. The Employee Benefits Division includes Workers' Compensation, Safety, Return to Work and Life Insurance Programs.

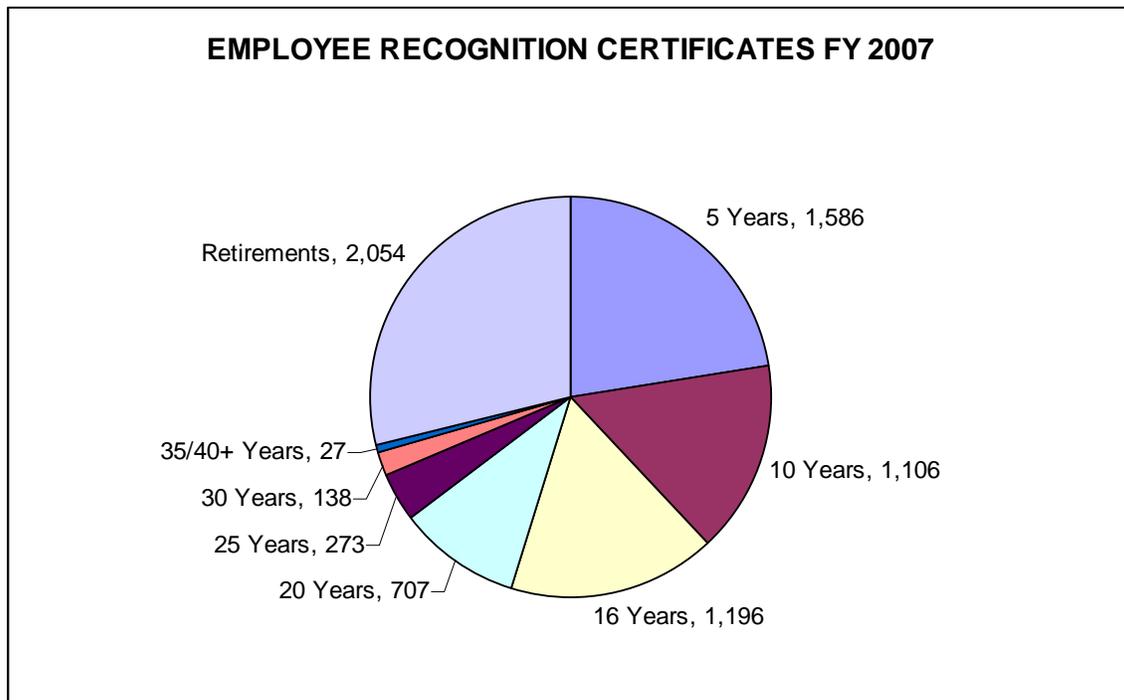
# Accomplishments

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## Division of Employee Services and Recognition

### Employee Recognition Branch

- The Personnel Answer Line, 1-866-PAL-LINE, was established in an effort to communicate the Personnel Cabinet's philosophy of openness. The staff makes every effort to answer questions concerning personnel issues for state employees and the general public. A total of 2,654 calls were answered during FY 2006-2007.
- Awards totaling \$43,348 were presented to 47 state employees through the Employee Suggestion System. These suggestions represented a first-year savings of \$9,322,487 for FY 2006-2007.
- Career service certificates for 16, 20 and 25 years of service plus every 5 years thereafter were presented to 2,341 employees. Service pins were also presented to 1,196 employees with 16 years of service. Recognition certificates were processed for 2,692 employees acknowledging their 5 and 10 years of service.
- Retirement certificates were presented to 2,054 employees.
- The total number of certificates presented to state government employees (career, recognition and retirement) during FY 2006-2007 total 7,087. The following chart shows the breakdown of the issued certificates.



# Accomplishments

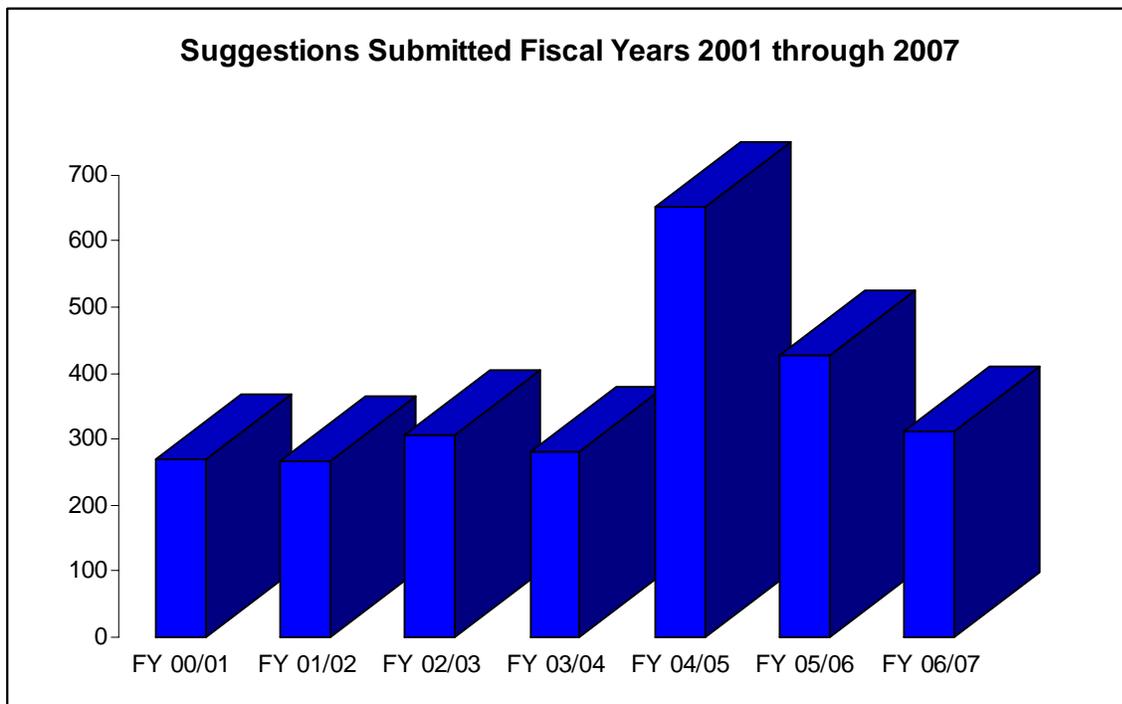
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## Employee Suggestion System

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

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

Since launching the new on-line ESS system on January 28, 2005, the number of suggestions submitted has greatly increased. From January 28, 2005 through June 30, 2007 a total of 1,391 suggestions have been submitted by state employees. During Fiscal Year 2007 employees submitted 312 suggestions. These suggestions represented a first-year savings of \$9,322,487 for FY 2006-2007. The following chart shows the substantial increase in suggestions submitted each year since the creation of the new on-line system.



# Accomplishments

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## Workplace Relations Branch

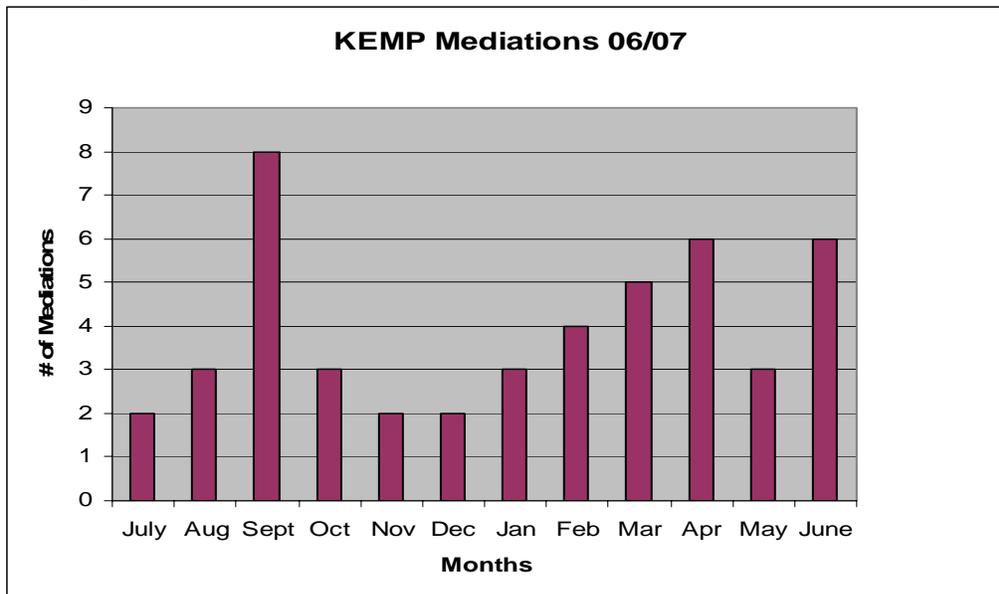
The Kentucky Employee Mediation Program (KEMP) provides dispute resolution for Executive Branch employees. During the past fiscal year, there were 47 mediations involving employees and supervisors in eight cabinets. This reflects a 24% increase over the last fiscal year. Seventeen mediations were referrals from the Personnel Board and one was a referral from the Kentucky Commission on Human Rights.

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

Twelve new mediators were trained, making a total of 24 part-time mediators. Volunteer mediators are state employees in various cabinets who have been given recommendations and approval to be trained to mediate for KEMP. Two mediators achieved certification, making a total of nine certified mediators.

There were 1,450 contacts in the form of requests for mediation or for information. This reflects a 126% increase over the previous fiscal year. The contacts were in person, by phone, and by email.

Presentations on mediation were given to 452 attendees, reflecting a 16% increase over the past fiscal year. The presentations included the Governor's Annual EEO Conference, IPMA-HR (International Public Management Association for Human Resources) Annual Conference, NASPE (National Association for State Personnel Executives) Annual Conference, and various state agencies.

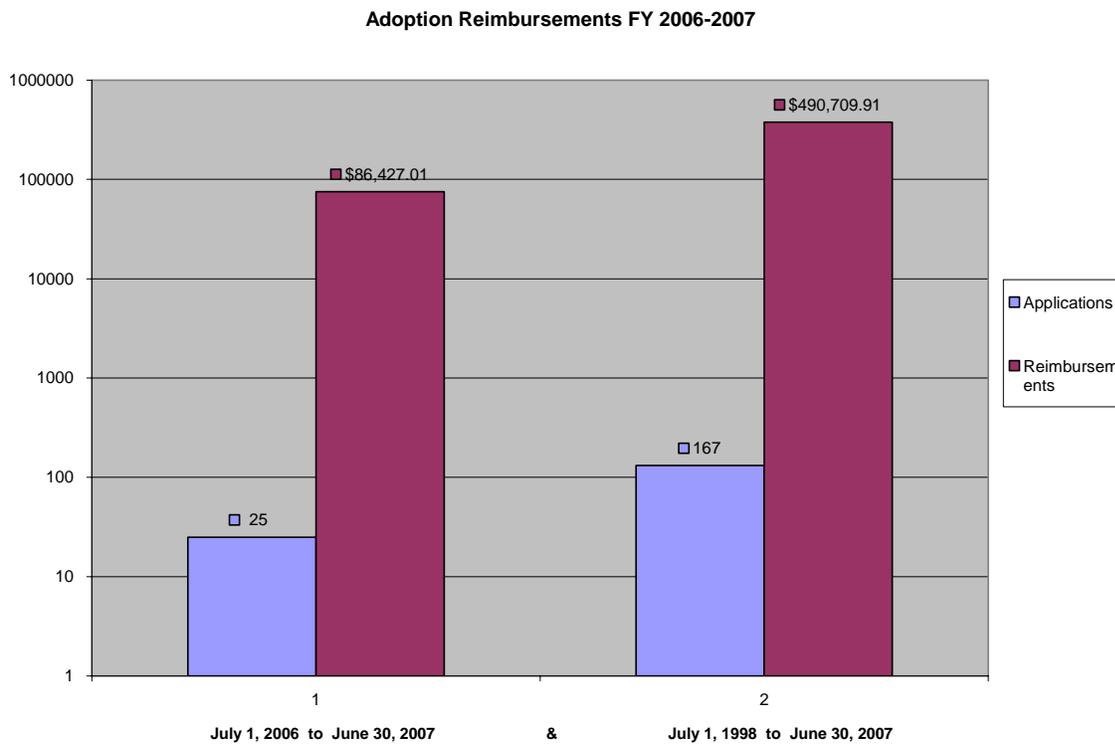


# Accomplishments

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## Adoption Benefit Program

The Adoption Benefits Program assists executive branch state employees with reimbursement of eligible expenses incurred in the adoption of a child. During FY 2006-2007, the division approved 25 applications for reimbursement of expenses that totaled \$86,427.01. This brings the program to a total of 167 approvals, totaling \$490,709.91 since its inception



# Accomplishments

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## **Kentucky Employee Assistance Program – KEAP**

### **Client Totals**

During the 2006-2007 year, the Kentucky Employee Assistance Program provided direct employee assistance services to 965 state employees and/or their family members. In addition 4,138 collateral contacts were made.

### **Agency Utilization**

The cabinets in which employees most utilized the services were the Cabinet for Health and Family Services (22%); Justice Cabinet (18%); Environment and Public Protection Cabinet (10%).

### **Main Presenting Issues**

The issues most frequently presented include: mental/emotional health (32%); supervisory referrals (14%); and relationships (11%).

### **Indirect Contacts (Outside Meetings and Workshops)**

KEAP staff was involved in many workshops and meetings that result in numerous indirect contacts. These contacts include monthly presentations at Office for Employee Organizational Development on how supervisors can use KEAP as a management tool. KEAP staff conducted workshops on various topics such as ADHD 101, Training People How to Treat You, Stress Management, Money Management for State Government employees, Anxiety Management, Eldercare, Mental Illness in the Workplace, as well as Critical Incident Stress Debriefings and Grief in the Workplace Sessions.

# Accomplishments

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## KEAP “New Client” Totals

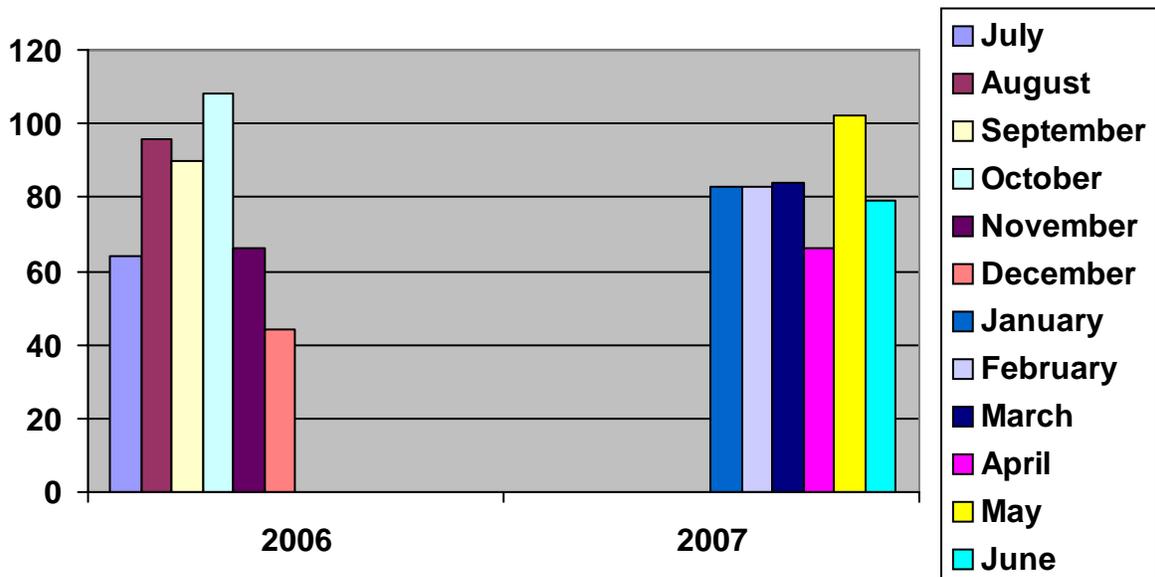
### 2006

July	64
August	96
September	90
October	108
November	66
December	44

### 2007

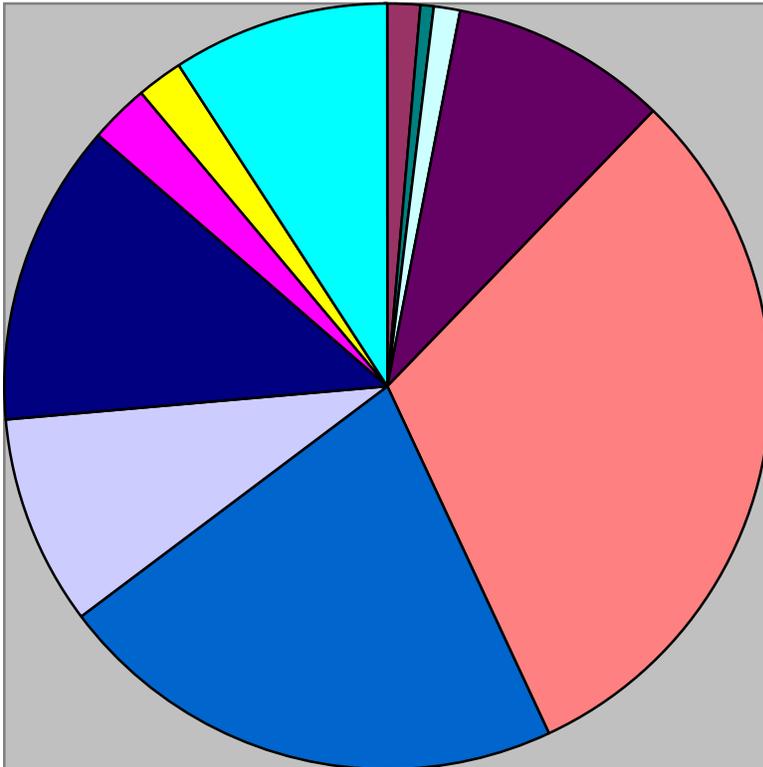
January	83
February	83
March	84
April	66
May	102
June	79

**TOTAL 965**



# Accomplishments

## Agency Utilization



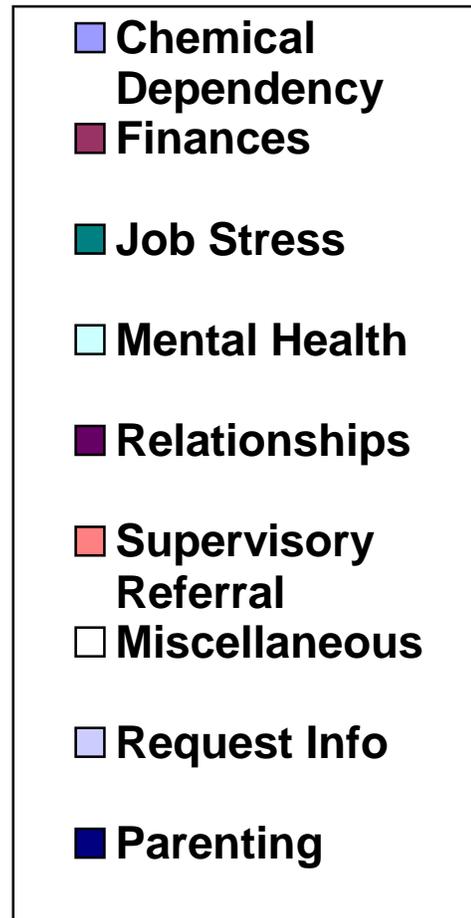
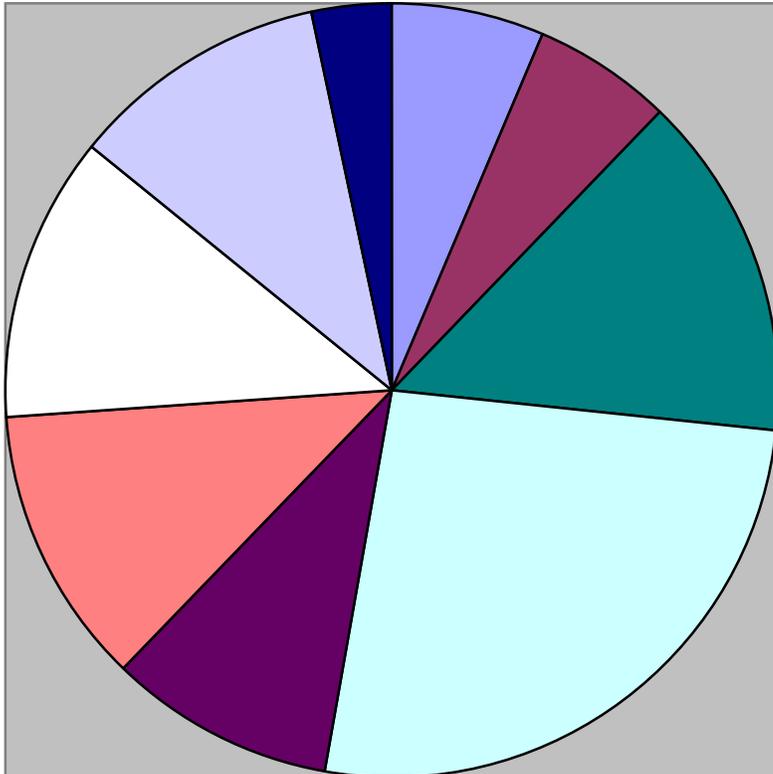
- Legislative 1%
- DOT 7%
- Education 7%
- EPPC 10%
- Finance 9%
- Health & Fam Serv 22%
- Justice 18%
- Gen Government 7%
- Not Specified 10%
- Personnel 1%
- Judicial 2%
- Commerce 6%

# Accomplishments

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## Presenting Issues

Chemical Dependency	08%
Finances	07%
Job Stress	17%
Mental Health	32%
Relationships	11%
Supervisory Referral	14%
Miscellaneous	04%
Requesting Information	13%
Parenting	04%



# Accomplishments

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## Division of Employee Benefits

### Workers Compensation Branch

The Workers' Compensation Program is committed to improving the efficiency and proactive management of the program. The program now receives most first reports of injury on our secure website. This is a faster process and the injured employee can receive necessary information within minutes. The Workers' Compensation Program, Return to Work Branch and State Safety Program has full access to workers' compensation claims online and is able to run reports in real time to analyze injuries and costs over time by cabinet. This allows us to develop specific safety and return to work programs, and a long term strategy for reducing injuries. Our savings in payment of temporary total disability benefits increased with employers providing modified duty to injured employees. Managed care for medical benefits in workers' compensation was implemented October 1, 2005 for more efficient medical management and cost control. Managed care implementation and the pharmacy program have yielded savings in medical benefit payments available in a stewardship report by fiscal year.

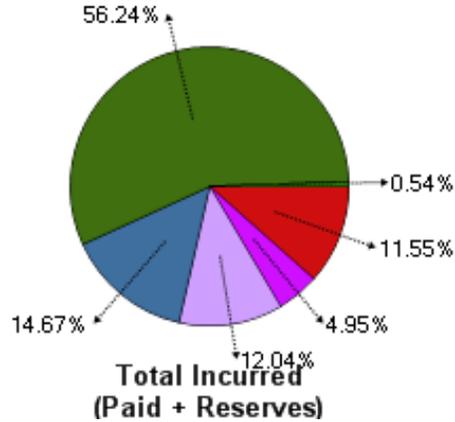
All information regarding program procedures is available online and updated throughout the year. Each cabinet has a liaison within the workers' compensation program to provide one-on-one customer service. The liaisons advise each cabinet of the latest procedures and/or changes regarding the workers' compensation program. During 2006-2007:

- The Workers' Compensation Branch has received and processed 4,470 First Report of Injuries for injuries occurring in FY 2006-2007.
- The branch continues to provide coverage for approximately 85,000 employees in all 120 counties throughout the Commonwealth.
- The branch provides coverage for approximately 32,000 volunteer ambulance and volunteer firefighters in 118 counties in the Commonwealth.
- The branch has received and processed 1,713 temporary total disability benefit checks.
- There has been \$131,053.47 in subrogation recoveries received during FY 2006-2007.
- Total number of claims set-up by this branch, to date, for FY 2006-2007 is 2,295.
- Record only files totaled 2,175 for FY 2006-2007.
- Approximately 83 claims went into litigation and were assigned to defense attorneys.

# Accomplishments

**FY 2006-2007**

Class	Total Paid	Out. Reserve	
<b>EXPENSE</b>	\$507,121.16	\$919,035.60	
<b>IND.FATALITY</b>	\$319,788.85	\$291,604.29	
<b>IND.PPD</b>	\$82,797.41	\$1,403,265.89	
<b>IND.TPD</b>	\$257.49	\$0.00	
<b>IND.TTD</b>	\$1,135,254.69	\$676,267.15	
<b>LEGAL</b>	\$33,766.43	\$32,481.07	
<b>MEDICAL</b>	\$3,467,937.84	\$3,475,307.66	

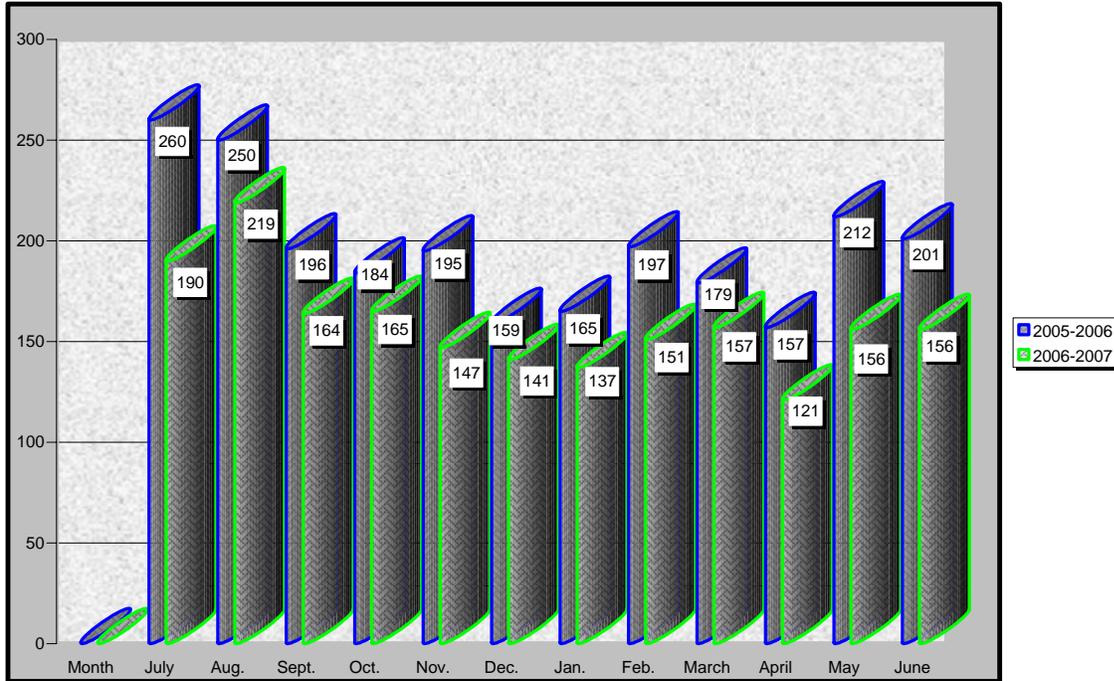


The Workers' Compensation Program is responsible for paying the benefits for injured employees. The graph represents the breakdown by percentage of payments made.

The Kentucky Workers' Compensation – Safety – Return-To-Work (RTW) programs have the responsibility for the delivery of workers' compensation benefits, managing the state safety program and the RTW program for employees of the Commonwealth. During the past fiscal year, these programs have worked closely together to increase safety awareness and prevent accidents, increase the use of transitional/modified duty and to provide strategic, proactive workers' compensation claims management to reduce costs. The following graph represents a downward trend of injuries reported by month for FY 05-06/06-07; summer months are higher due to increases in the hiring of interim employees.

# Accomplishments

Reported WC Claims by Month for FY 05-06, 06-07



## Kentucky Safety Program

The state safety program continues to assist state agencies on improving the safety and health of their employees, by reducing the number of accidents and injuries and the resulting injuries associated with them. These safety and accident improvements reduce the costs associated with those losses. Our emphasis in fiscal year 06-07 has been to develop and implement strategies to increase awareness of the importance of safety among state employees. Chief among these strategies has been chairing the Executive Safety Advisory Committee (ESAC) and providing “Fundamentals of Safety and Health” training to state supervisors.

### Executive Safety Advisory Committee

The Executive Safety Advisory Committee (ESAC) was created by Executive Order 2005-567 and signed by Governor Fletcher in June, 2005. Representatives from each cabinet meet monthly to discuss safety and health issues. The safety program is now sharing not only accident numbers and claim counts, but also a monthly and quarterly accident/incident rate. This is based on the number of accidents per hours worked.

# Accomplishments

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This baseline rate is internationally recognized as a way of measuring safety performance. We are recording baseline rates that can be used in the future to measure our progress in reducing the number of workplace injuries and compare that progress with other cabinets as well as states nationwide.

One of the primary measures of the success of a safety program is a reduction in workplace injuries and the costs associated with them. The State Safety Program shares Workers' Compensation claim data with the ESAC members monthly. In FY 06-07 most cabinets have experienced a reduction in the number of claims submitted to Workers' Compensation and a reduction in the cost per claim. For specifics see the workers compensation report and graphs.

## **Safety Training**

The first-ever effort to provide standardized, state-wide safety training continued this year. The full day "Fundamentals of Safety and Health" class is designed to give managers and supervisors the basic knowledge and skills they need to ensure the safety of themselves and their employees. In FY 06-07, forty-four "Fundamentals" classes were held in sixteen different locations across the state, reaching 1,331 managers and supervisors from all cabinets. A two-day session, "Managing a Health and Safety Program", was also conducted for twenty-one agency safety coordinators.

In addition, a two-hour "Executive Overview" is being provided to those in Director-level positions and above. These have been conducted for the Department of Labor, The Office of Workers' Claims, and The Department for Community Based Services.

## **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. This year, our cabinet participated in National Safety Month. Each week in the month of June, employees received an e-mail with important information related to that week's safety theme. The safety themes were: Workplace Safety, Driving Safety, Emergency Preparedness and Safety in the Home and Community. Safety Month was also featured on the "Spotlight" section of the Personnel Cabinet website and a number of articles and web links were posted online each week. Also posters from the National Safety Council were placed throughout the Personnel Cabinet offices as reminders of the importance of safety. There were also several "lunch-and-learn" sessions that were conducted for cabinet employees about safety. In addition all employees were encouraged to sign a safety flag to indicate their commitment to safety in the workplace.

# Accomplishments

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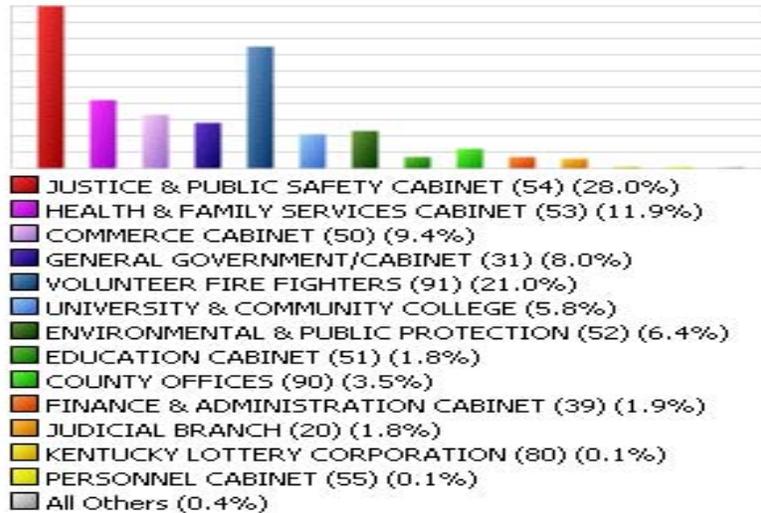
## Other activities that were conducted:

- Purchased an Automatic External Defibrillator (AED) device.
- Participated in the Personnel Cabinet's Health Fair.
- Delivered safety presentations at the IPMA conference and the State Police Commanders' Retreat.
- Established individuals as "area monitors" in each area of the building to assist in emergency evacuation.
- Posted emergency evacuation route diagrams throughout the building.
- Three employees were trained as CERT (Community Emergency Response Team) members.
- Participated in "Frankfort Under Fire," an emergency exercise conducted by the Kentucky Office of Homeland Security.
- Represented the Personnel Cabinet at the State Hazard Mitigation meetings.
- State Safety Director attended the 30-hour OSHA 511 training held at the OSHA Training Institute Education Center at EKU.
- Coordinated 6 blood drives with 770 units of blood being donated by state employees.

# Accomplishments

## Graph Total Incurred for each CABINET Order By Claim Count

Selection: Claims where (Date Of Loss between 07/01/2006 and 06/30/2007)



CABINET	Tot Paid	Out Reserve	Tot Recov	Tot Incur	Claim Count	Cost per Claim
JUSTICE & PUBLIC SAFETY CABINET (54)	\$1,596,482.26	\$1,850,196.82	\$0.00	\$3,446,679.08	577	\$5,973.45
HEALTH & FAMILY SERVICES CABINET (53)	\$768,790.42	\$691,921.68	\$158.86	\$1,460,553.24	423	\$3,452.84
COMMERCE CABINET (50)	\$432,277.92	\$725,868.61	\$4,679.80	\$1,153,466.73	320	\$3,604.58
GENERAL GOVERNMENT/CABINET (31)	\$434,017.31	\$547,485.41	\$0.00	\$981,502.72	251	\$3,910.37
VOLUNTEER FIRE FIGHTERS (91)	\$1,292,148.19	\$1,296,475.44	\$4,679.80	\$2,583,943.83	232	\$11,137.69
UNIVERSITY & COMMUNITY COLLEGE	\$378,273.75	\$341,240.44	\$0.00	\$719,514.19	164	\$4,387.28
ENVIRONMENTAL & PUBLIC PROTECTION (52)	\$157,865.90	\$625,491.27	\$0.00	\$783,357.17	100	\$7,833.57
EDUCATION CABINET (51)	\$106,095.27	\$118,175.26	\$0.00	\$224,270.53	61	\$3,676.57
COUNTY OFFICES (90)	\$185,904.12	\$243,301.48	\$0.00	\$429,205.60	53	\$8,098.22

FINANCE & ADMINISTRATION CABINET (39)	\$99,067.78	\$132,872.23	\$0.00	\$231,940.01	47	\$4,934.89
JUDICIAL BRANCH (20)	\$92,507.53	\$127,609.21	\$0.00	\$220,116.74	38	\$5,792.55
KENTUCKY LOTTERY CORPORATION (80)	\$4,979.08	\$14,556.25	\$1,512.90	\$18,022.43	11	\$1,638.40
PERSONNEL CABINET (55)	\$1,387.62	\$6,926.18	\$0.00	\$8,313.80	6	\$1,385.63
LEGISLATIVE BRANCH (10)	\$5,101.65	\$1,611.17	\$0.00	\$6,712.82	5	\$1,342.56
VOLUNTEER AMBULANCE PERSONNEL (92)	\$3,939.78	\$7,147.14	\$0.00	\$11,086.92	5	\$2,217.38
COUNTY CENTERS (44)	\$13,107.04	\$12,863.97	\$0.00	\$25,971.01	3	\$8,657.00
ECONOMIC DEVELOPMENT CABINET (36)	\$679.70	\$2,120.30	\$0.00	\$2,800.00	1	\$2,800.00
<b>Totals:</b>	<b>\$5,572,625.32</b>	<b>\$6,745,862.86</b>	<b>\$11,031.36</b>	<b>\$12,307,456.82</b>	<b>2297</b>	<b>\$5,358.06</b>

# Accomplishments

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## Return-to-Work Branch

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

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

Data for Fiscal Year 2006-2007 demonstrates the savings that a Return-to-Work Program can produce:

Total Savings in temporary total disability benefits 7/1/2006-6/30/2007: \$693,159.00

Number of employers who have participated in the Return-to-Work Program: 81

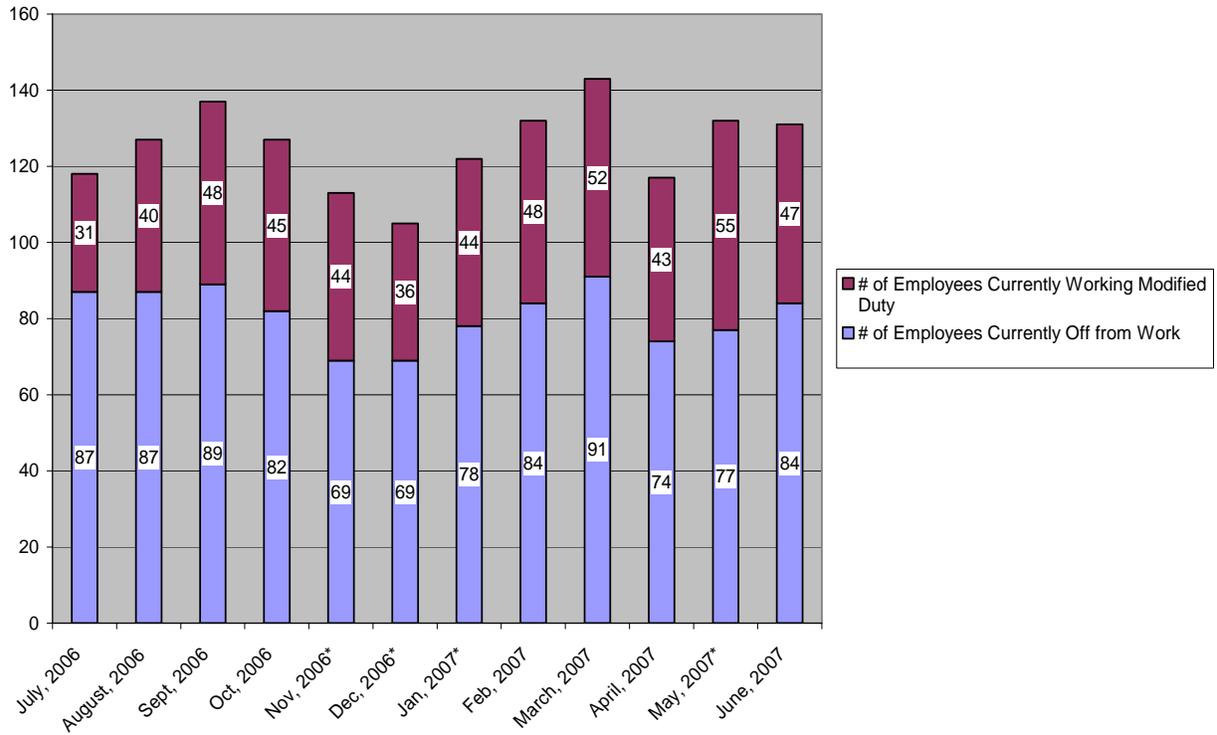
Total Number of employees returning to full duty work 7/1/2006-6/30/2007: 704

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

The Return-to-Work Program has also begun efforts to educate employers and employees on the proper ergonomic set up for work station areas. It's best to conduct ergonomic reviews prior to an employee sustaining an injury or illness. This leads to awareness of issues and increases the prevention of injuries occurring. The ergonomic review process can occur anytime throughout an employee's recuperation from an occupational injury or non-occupational injury in order to assist the employee's return to work. During the 2006-2007 Fiscal Year, the Return-to-Work Program participated in 26 ergonomic reviews and conducted 3 training sessions regarding the importance of ergonomics.

# Accomplishments

Lost Time Claims (LTC) and Potential Lost Time Claims (PLTC)  
per Month for Fiscal Year 2006-2007



# Accomplishments

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## Group Life Insurance Administration Branch

The current Life Insurance contract with Prudential was awarded on July 1, 2005 and expired on June 30, 2007. The Commonwealth has renewed with Prudential until June 30, 2009 with no rate increase or changes to the policy. The contract includes a 10% Seat Belt Benefit, 5% Air Bag Benefit of the coverage amount with a maximum limit. Also, Prudential has included an Accelerated Benefit Option which will allow an employee who is terminally ill with a life expectancy of 12 months or less to receive a partial payment of their benefit before they pass away. Included with this contract, Prudential allows dependent children to be enrolled at any time without providing evidence of insurability.

The current Basic Insurance and AD&D rate per thousand is \$ 0.093. This brings the employer cost to \$1.86 per employee per month for the basic \$20,000.

The Group Life Insurance Administration Branch provides all administrative services for the state sponsored life insurance contract including: maintaining the eligibility data base, enrollment processing, bill generation, reconciling payments, refunds, claims processing, distribution of materials and customer service. The insurance carrier is only responsible for the following three items of the contract: approving and claims processing, underwriting approval and processing conversion applications.

The Life Insurance Branch provides Basic Insurance and AD&D coverage for over 145,000 employees. The additional coverage includes about 22,000 optional policies and about 17,000 dependent plans.

The Branch administers group life insurance for eligible employees at 444 locations.

❖ State Agency	158
❖ Board of Education(roster)	170
❖ Board of Education(individual)	12
❖ Health Department	54
❖ Quasi Agencies	50

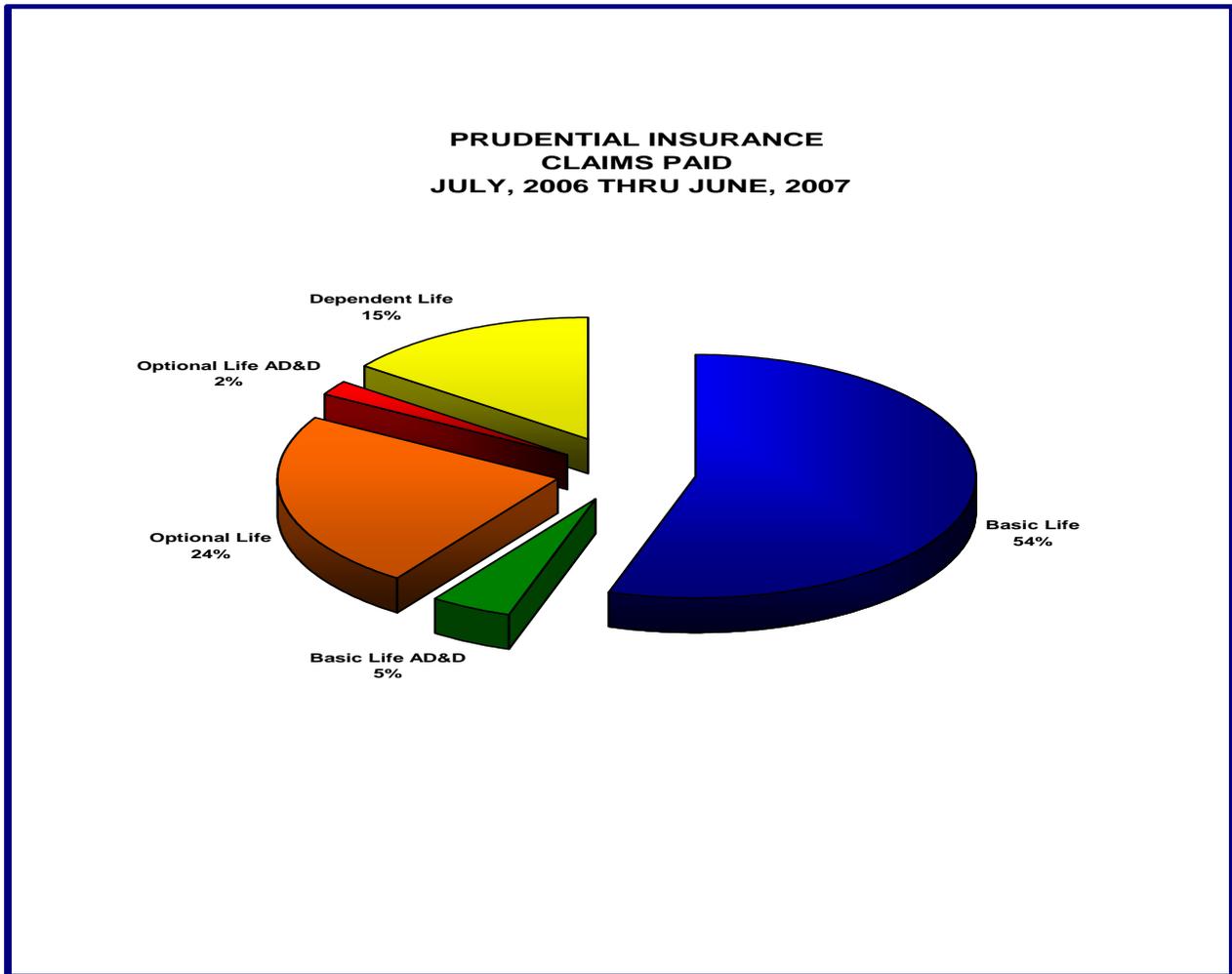
Since June, 2006 the Life Insurance Branch has enrolled 15 additional Quasi Agencies in the state sponsored life insurance coverage.

# Accomplishments

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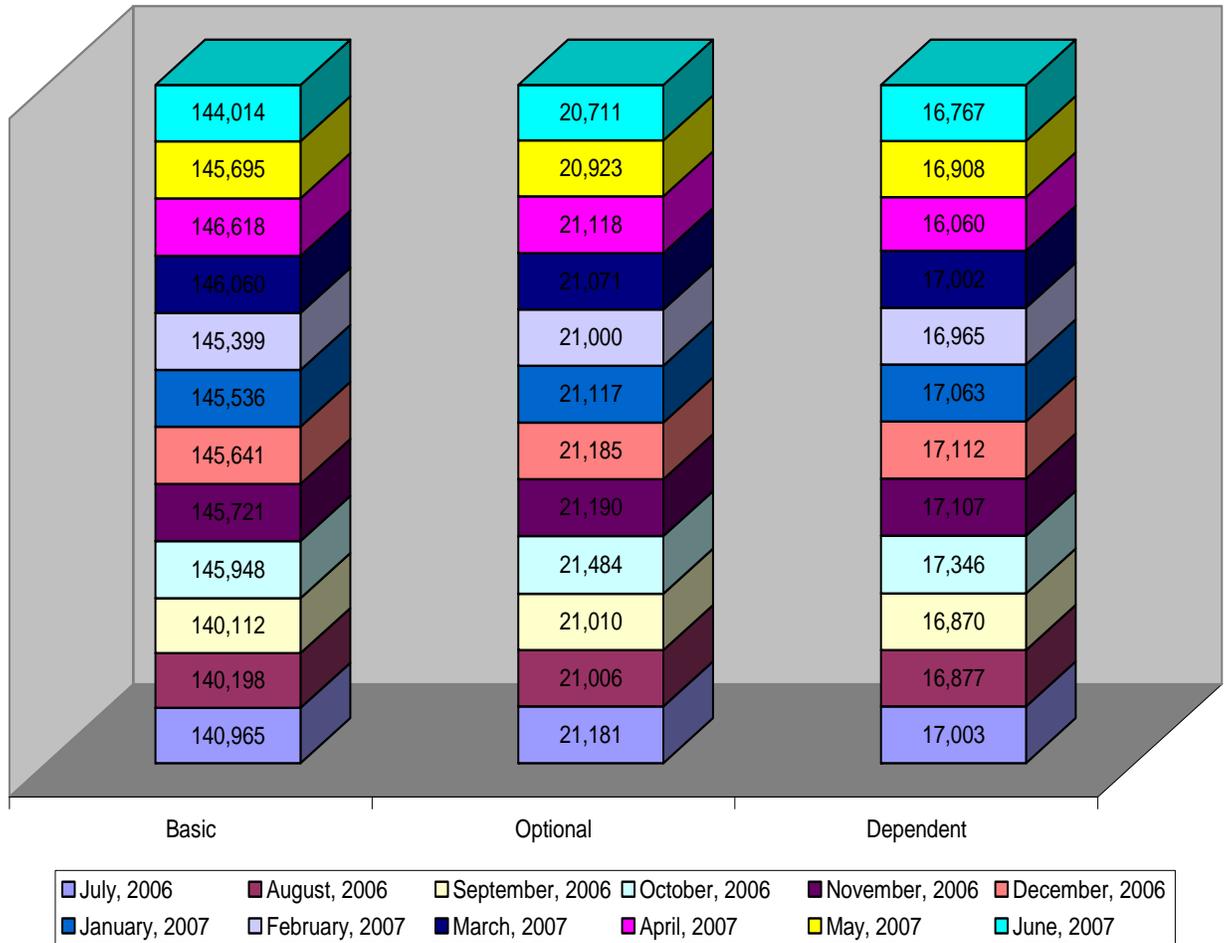
The Branch has been represented at numerous events promoting our coverage for potential members and providing information for our current covered employees. We have received positive feedback from each meeting attended.

The Branch processed 266 claims paid by Prudential totaling \$6,016,500.00 in benefits being paid to beneficiaries.



# Accomplishments

**GROUP LIFE INSURANCE  
NUMBER OF EMPLOYEES BY PLAN TYPES  
JULY 2006 THRU JUNE 2007**



# Accomplishments

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## Department for Employee Insurance (DEI)

The Department for Employee Insurance (DEI) has been instrumental in enabling the Personnel Cabinet to meet its statutory duties and responsibilities in the area of health insurance, as well as, the needs of approximately 242,000 health insurance participants. There are also approximately 35,000 participants in the flexible benefit accounts (FSA/HRA).

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

### During Fiscal Year 2006-2007, the Department for Employee Insurance:

- Successfully completed the statewide self-insured health insurance program for 2006. This allowed the Commonwealth to control costs and reduce administrative expenses. Self-insurance also improved the Commonwealth's position in obtaining the best price for healthcare benefits. The Commonwealth no longer pays risk charges and margins to insurance companies. Due to switching to self-insurance, there were no changes in the benefits of the existing health plans for 2007. Premiums were increased by only 5.93%, and the Commonwealth continued to pay 100% of the cost of single coverage in the Commonwealth Enhanced option. This increase is 30% lower than our earliest projections and 50% lower than national health trends. Additionally, cross-referencing continued in 2007.
- The 2006 Audit of the KEHP identified no material weaknesses in the Program.
- Enhanced the Premium Billing and Reconciliation (PB&R) system, Group Health Insurance (GHI) system and the web based application. One significant enhancement was adding the Health Reimbursement Account to the systems.
- Developed the Web Billing application that has assisted in reducing billing errors by agencies and generating more timely terminations.
- Created a new log-in method that provided additional security for our system.
- Assisted in the development of new employee identification numbers to replace social security number and date of birth.
- Updated the Procedures Manuals for the Financial Management Branch, Flexible Benefits Branch, Member Services Branch and the Enrollment Information Branch.

# Accomplishments

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- Updated the GHI programming documentation.
- Assisted with implementation of the process flow and system mapping specifications for the development of the new Kentucky Human Resources Information System (KHRIS).
- Increased MedStat database size from 36 to 48 months of claims and utilization history.
- Developed analysis of the health insurance program's performance using the above data warehouse. Created an Executive Dashboard which was showcased at the Thomson Healthcare Connection Conference.
- Served on the Thomson Healthcare Customer Advisory board.
- Coordinated and completed the processing of the health insurance and flexible benefit applications for the approximately 192,000 members of the KEHP, along with their dependents.
- Provided support to the KEHP members, Insurance Coordinators and Billing Coordinators.
- Handled approximately 66,000 telephone calls within the Member Services Branch regarding member health insurance.
- Conducted training sessions throughout Kentucky for Insurance Coordinators on changes and updates to our health insurance program during Open Enrollment and spring training.
- Developed an expanded hands-on New Insurance Coordinator training program that is held monthly.
- Created electronically transmitted daily transaction files and monthly synch files to participating health insurance carriers.
- Processed monthly discrepancy reports for both the Financial Management Branch and the Flexible Benefits Branch.
- 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.
- Produced monthly, quarterly and annual status reports on the KEHP program.
- Provided numerous presentations on the KEHP to the Appropriations & Revenue Committee, the State Government Committee, etc...
- Presented at the 2006 and 2007 State and Local Government Benefit Administrators (SALGBA) Conferences.
- Developed training and provided instructional assistance to the Wellness Coalition to implement the Governor's Get Healthy Kentucky Employee Challenge on March 26 – May 12, 2007. Seventeen (17) state agencies and 4,282 state employees participate in this challenge.

# Accomplishments

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- Developed the Six Week Mind, Body and Spirit Challenge for the Personnel Cabinet. This challenge was specifically designed to include a variety of challenges focusing on stress relief, nutrition, physical health and mental health. This challenge offers enough variation in the specific challenges to include everyone, no matter what their physical limitations or abilities.
- Implemented a wellness program for state employees in 2006.
- In 2006, established a Smoking Cessation program, which provides coverage for Nicotine Replacement Therapy (NRT), along with two types of classes (Cooper Clayton and Quit Line). We have had 776 participants since inception in April 2006.
- Developed the Quit Smoking Kit used as an additional stop smoking tool. Approximately 1,500 Quit Smoking Kits were distributed to state employees for the Great American Smoke Out and Lung Cancer Awareness in November 2006. Also, developed and released the promotion of the effects of smoking in recognition of the Great American Smoke Out.
- Developed the “Why Weight Kentucky” weight management program with our TPA, Humana. We have had 585 participants since inception in August 2006. The average weight loss per participant is 14.5 pounds.
- Partnered with Humana, Express Scripts, the American Heart Association and the American Cancer Society on educational materials (newsletters, brochures, etc.).
- Thirty-three (33) Informed Care Management programs have been developed for the Commonwealth.
- Expanded our wellness web site, which includes monthly wellness articles. The web site also focuses on physical activity, proper nutrition, stress management and Smoking Cessation programs.
- Developed a wellness brochure promoting wellness programs for distribution to new employees and at health fairs, benefit fairs, etc...
- A Statewide Wellness Coalition was established in 2006 to promote healthier lifestyles through state agencies and develop partnerships and initiatives that will positively impact the mental and physical well being of the Commonwealth’s workforce.
- In partnership with the American Heart Association, we established the Wear Red to Work Day on February 2, 2007, in recognition of Heart Disease Awareness Month.
- Assisted with the first national annual event of the American Heart Association called “Start,” Walking at Work Day, on April 25, 2007.
- Conducted monthly meetings with the Wellness Coalition to share wellness programs or ideas, report on progress of initiatives, etc...
- Developed a statewide “Wellness Resource List” created for the Wellness Coalition to use for health fairs and other wellness initiatives in January 2007.
- Created a Wellness National Observatory Calendar for the Wellness program, which was shared with the Coalition.

# Accomplishments

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- Implemented an assessment survey to the State's workforce on Wellness in September 2006. Promoted the survey and wellness program using our check stubs for the State's workforce.
- Implemented a Personnel Cabinet's Employee Wellness Challenge called *You Were Caught Being Physically Active* for the week of September 25 – 29, 2006.
- On May 15, 2007, the Personnel Cabinet's Wellness Committee organized a closing ceremony for the Governor's Get Healthy Kentucky Employee Challenge. There were 180 participants and 16 teams in this challenge.
- Developed Lunch and Learn programs for the Personnel Cabinet.
- Presented Wellness Works Kentucky at the Governor's 20<sup>th</sup> Annual EEO Conference on October 17 – 19, 2006.
- Presented Wellness at the Kentucky Community and Technical College System's (KCTCS) Annual Conference in May 2007.
- Planned and conducted a Health Fair for the Personnel Cabinet and Department of Revenue on May 17, 2007.
- Implemented cross-training between the branches of the departments.
- Developed a monitoring system between DEI and the retirement systems to identify members who receive a Medicare supplement through retirement systems.
- Enhanced automated email to ICs when changes are made to an employee's health insurance.
- Created multiple reports to identify and resolve data quality issues within the enrollment database.

# Accomplishments

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## Department for Personnel Administration

The Department is proud of its achievements over the last fiscal year including the following initiatives:

### **Kentucky Human Resource Information System (KHRIS)**

The Department has taken the leadership role for the development and implementation of KHRIS. The Cabinet selected IBM to implement KHRIS which will be the largest Human Resource (HR) business and technology initiative undertaken in the last twenty-five (25) years. KHRIS will centralize all Commonwealth HR information into one integrated system.

### **Career Opportunities System (COS)**

The Department is also undertaking the largest modernization of our state employment process in the last ten years with the Career Opportunities System (COS). COS will allow citizens and state employees to apply for state employment on-line via the web and allow agencies to manage their hiring process electronically.

### **Veteran's Liaison**

The Department of Veterans Affairs and the Personnel Cabinet have formed a partnership to support the Governor's initiatives to increase services to our veterans. The partnership is implementing numerous changes to assist veterans in obtaining employment with the Commonwealth of Kentucky.

A Veteran's liaison is assigned and physically located in the Department's Division of Staffing Services. The liaison is trained in the established counseling process to enable them to translate the criteria for certification to a register to a veteran so they understand the process. This enables an applicant who is a veteran or has veteran status to receive assistance on site at the Personnel Cabinet. The liaison also provides training to the Division staff to assist with translating military skills and abilities to the civilian equivalent.

### **Entrust**

The Personnel Cabinet in co-operation with the Commonwealth Office of Technology implemented Entrust, a Secure Messaging Service. This web-based appliance allows for encrypted e-mail to be sent to any outside agency/individual. The implementation of Entrust enables the Department for Employee Insurance to securely transmit Protected Health Information (PHI) to over 1,000 Health Insurance Coordinators as well as the Division of Staffing Services utilizing Entrust to transmit personal information to the Administrative Office of the Courts for background information.

# Responsibilities

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The Department has **established target goals** over the next three years including:

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

The following is detailed information on the services of the Department:

## **Division of Employee Management**

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

The **Division** consists of the following organizational units:

- The **Processing and Records Branch**
- The **Payroll Branch**
- The **Classification and Compensation Branch**

The Division is working with the Division of Human Resource Projects and all state agencies to design and implement KHRIS. The Division will be undergoing business transformation along with the rest of the Personnel Cabinet in order to implement this system.

The following represent business statistics and information on work completed within the Division:

## **Processing and Records Branch**

- Processed 103,964 personnel actions.
- Approximately 3,200 service records were received and completed from agency request.
- Approximately 2,500 requests were received for inspection of records.
- Actively involved in the KHRIS project.

# Accomplishments

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## Payroll Branch

- Changed all Federal Tax Tables for calendar and mid-year.
- Made changes to Local Taxes to keep updated and current.
- Produced 54,292 + Wage and Tax Statements (W-2's).
- Actively involved in the KHRIS project.
- Continue to redirect reports into the electronic Report Delivery System (RDS) and Document Direct, which eliminates the need for paper copies.
- Conducted individual Document Direct Training Sessions.
- Continued the streamlining and automation of batch job flows into Scheduler.
- Conducted Payroll Training Classes

## Classification and Compensation Branch

Nature of Actions	2006/2007
Job Classes Revised	176
New Classes Established	28
Job Classes Abolished	43
Pay Grade Changes	29
New/Revised Special Entrance Rates	12
Special Entrance Rates Abolished	4
Class Title Changes	19
Title Code Number Changes	0

The following 6,016 actions were taken by the Classification and Compensation Branch in FY 2006-2007:

Positions Established	3,670
Positions Reclassified	2,104
Positions Reallocated	242

This compares as follows:

- 7,299 actions in FY 2005 - 2006
- 10,267 actions in FY 2004 - 2005

# Accomplishments

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

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

## **DIVISION OF STAFFING SERVICES**

The **Division of Staffing Services** responsibilities include operation of a centralized applicant and employee counseling program; operation of the examination program for state employment; operation of 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; construction of merit examinations; and coordination of outreach programs such as recruitment and administrative internship programs.

The Division consists of the following organization units:

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

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

# Accomplishments

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The following represent business statistics on the work completed within the Division.

Number of Training and Experience Ratings.....	1,354
Applicants Interviewed.....	18,399
Mail Processed.....	37,204
Education Verifications.....	5,538
Registers Issued.....	7,277
Appointments from Register.....	5,522
Examinations Processed.....	27,733
Phone Calls.....	207,233
Background Checks.....	1,617

The Division is undergoing business transformation and will be implementing the Career Opportunities System (COS) as the foundation for all services to applicants and agencies. Division staff have been working with the Division of Human Resource Projects and our customer agencies to build the design for the new recruitment and hiring environment.

## **Division of Human Resource Projects**

The **Division of HR Projects** consists of the following organizations units:

- The **Special Projects Branch**
- The **KHRIS Branch**
- The **Systems Management Branch**

The Division has increased in size to support the development and implementation of KHRIS while still providing the Cabinet's hardware, desktop and network support. The division also has oversight / management of the Cabinet's systems that are supported in house.

The Special Projects Branch is focused on COS. COS will improve the current recruitment process by providing a web based hiring process that is configured to meet Kentucky's needs. The system will provide services to applicants, the Personnel Cabinet's Division of Staffing Services and all other Kentucky agencies. The estimated implementation date is fall of 2007. This branch also provides support for Cabinet reports and the AS 400 environment.

The KHRIS Branch is focused on KHRIS implementation which will replace the Commonwealth's current payroll process, interface with eMARS and provide benefits administration for personnel, health insurance and life insurance activities. Additionally, it will provide self service features for state employees. A contract was awarded to IBM to provide an off-the-shelf solution for the Commonwealth's replacement needs. The estimated completion date is January 2009.

# Accomplishments

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The Systems Management Branch is responsible for providing information technology services, including network support, for the Personnel Cabinet. This branch also provides systems security administration for both the Cabinet and other agencies. In supporting the Personnel Cabinet they provide service for over 230 users in six locations. Additionally, they work with Commonwealth Office of Technology (COT) internal and external auditors and various external vendors.

Technologies currently being utilized/supported include wireless LAN, VPN, VMware, wireless messaging, telephone system reporting and support, windows servers (30), RS6000 servers (6), two optical storage systems, AS400, FileNet, Secure FTP, and Email encryption (Entrust).

Applications currently maintained are:

- Click HR
- Group Life Insurance (GLI)
- Group Health Insurance (GHI)
- Premium Billing & Reconciliation (PB&R)
- Web Register
- Workers' Compensation
- Employee Suggestion
- Applicant Testing System
- EEO System
- Co-Op Intern System
- Inventory System
- Pathlore

The Personnel Cabinet web team completed an update of the Personnel Cabinet website. Development of a Cabinet Intranet and a state employee intranet/extranet are currently underway. Technologies also in the development stage include moving to VMware and the use of Business Objects. The Personnel Cabinet is in the process of converting payroll and employee record information from Microfiche to digital images.

Finally, the Division is responsible for the implementation of other projects or processes that move the Cabinet forward in the implementation of KHRIS. This includes the continued oversight of the generation of an Employee ID as a unique personal identification number to an employee throughout their state government career. This Id will be used for all plan holders in the Group Health Insurance system as the User ID as of August 2007.

# Accomplishments

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## Kentucky Public Employee's Deferred Compensation Authority

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

To further emphasize the magnitude of the Kentucky program's size, a 2006 article in *Pensions & Investments* magazine surveying the largest 1,000 public defined contribution plans ranked Kentucky Deferred Compensation as the 25<sup>th</sup> largest program in terms of total plan assets. Also, in the January 2007 issue of *Pension & Investments* magazine a survey of the top 1,000 pension plans (including defined benefit as well as defined contribution – both public and private) revealed the Kentucky deferred compensation program ranked 642<sup>nd</sup> in the nation compared to 718<sup>th</sup> last year.

During fiscal year 2006-2007, the Authority Board of Trustees (Board):

1. Focused its attention on further reducing participant fees. However, a different approach to reducing participant fees was pursued. The Board elected to replace existing fund share classes, where possible, with lower cost institutional share classes. By moving to the institutional share classes the Board is able to reduce record keeping reimbursement fees which in turn generates lower participant expense and creates higher fund returns. A total of 6 new institutional share classes are now scheduled to be introduced, resulting in participant fee savings of approximately \$600,000. When implemented in October 2007, the Board will have authorized fee reductions in 8 of the previous 11 years, resulting in 'recurring' annual savings to participants of approximately \$4.2 million. The total accumulated annual savings has now reached approximately \$23 million.
2. Reduced the Authority's FY 2007 record keeping costs by approximately \$300,000 due to the 'not to exceed' maximum fee provision previously negotiated with the record keeper. This provision was introduced into the Nationwide Retirement Solutions, Inc. record keeping contract July 1, 2000 and has resulted in total savings to the Authority and its participants of more than \$1.5 million.

# Accomplishments

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3. Continues to make significant progress in implementing its Retirement Readiness campaign designed to offer participants a single program through which they can consolidate, simplify and reduce the cost to administer their supplemental retirement savings needs. Toward this goal, the Authority successfully implemented the Roth 401(k) option on July 1, 2006 and the Deemed IRA program (both the Traditional and Roth IRAs) on July 1, 2007. Now that the Roth 401(k) option and the deemed IRAs are in place, the Authority will begin work on establishing a 403(b) retirement plan for education employees with a projected implementation by mid year 2009.
4. Received from NAGDCA the 2007 Leadership Recognition Award for its development and implementations of the Deemed IRAs. This is the 10<sup>th</sup> time Kentucky has been recognized in the past 12 years. No other NAGDCA member has received this prestigious award as many times.
5. Was recognized by *American City and County* magazine for its success in conducting the 2006 Employee Investment/Education Expo. The 2006 expo drew more than 1,100 attendees making this expo the most well attended to date and the most successful.
6. Has seen the school systems' employer 401(k) match program continue to gain momentum. Over the past year the number of school systems offering the employer match program has increased from 2 to 11. This program is beneficial to both the school system which is attempting to attract and retain the best teachers and the participants who are further encouraged to save more for retirement through the receipt of employer matching contributions.

In addition, the Authority has achieved yet another record-breaking year in terms of participation and plan assets. Assets at June 30, 2007 were approximately \$233 million higher than at the end of fiscal year 2006. Participation in the Authority program increased by more than 2,700 new participants during this fiscal year, representing a 4% increase over the fiscal year ended June 30, 2006.

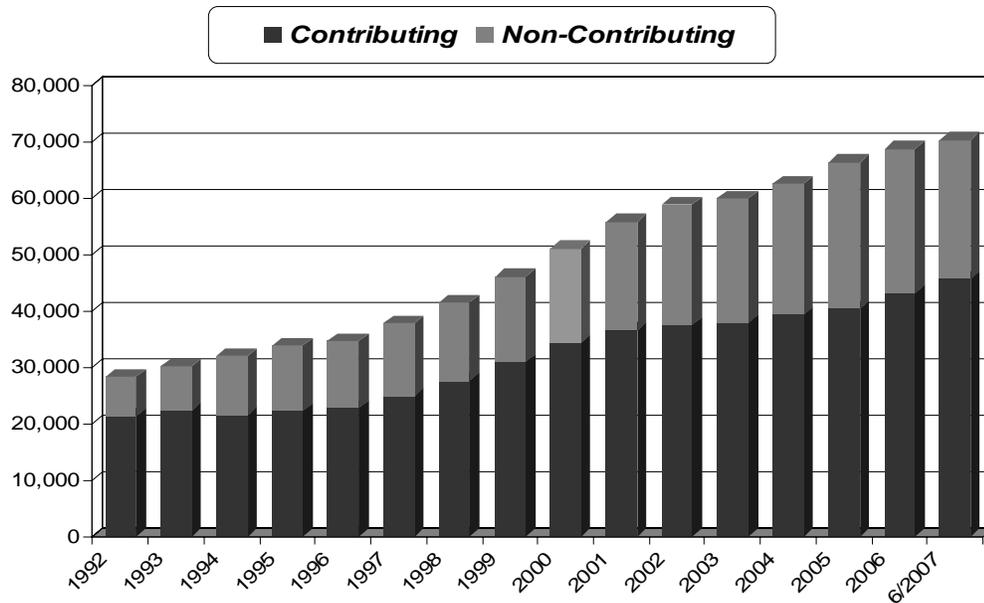
# Accomplishments

The following graphs, charts and tables represent the combined results from the Authority's 457 and 401(k) supplemental retirement plans through June 30, 2007:

- Participant Volume** – Graph 1 and the accompanying table substantiate the phenomenal growth rate the Authority continues to experience. The number of plan participants (with account balances) increased from 67,490 as of June 30, 2006 to 70,247 at June 30, 2007. This represents an increase of 2,757 participants or a 4.1% increase as of the 2007 fiscal year end.

**Kentucky  
Deferred Compensation  
Authority**

**Total Participants by Year  
(With Account Balances)  
As of June 30, 2007**



# Accomplishments

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Kentucky  
Deferred Compensation  
Authority

## Total Participants by Year (With Account Balances) 6/30/1992 - 6/30/2007

Year	Participants
6/30/1992	29,146
6/30/1993	30,188
6/30/1994	32,024
6/30/1995	33,781
6/30/1996	34,589
6/30/1997	37,330
6/30/1998	41,016
6/30/1999	46,187
6/30/2000	51,099
6/30/2001	55,749
6/30/2002	58,756
6/30/2003	59,773
6/30/2004	62,437
6/30/2005	64,689
6/30/2006	67,490
6/30/2007	70,247



**Nationwide**  
Retirement Solutions

a Nationwide Financial company

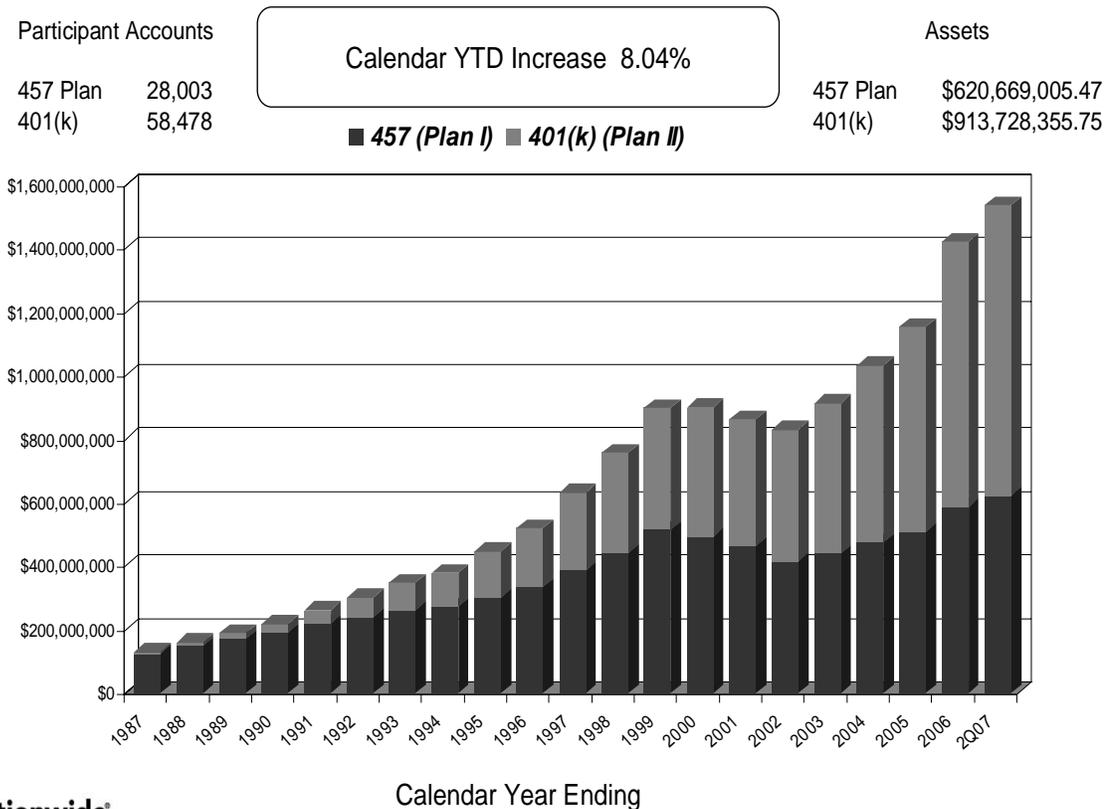
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# Accomplishments

- Plan Assets** – Graph 2 and the accompanying table shows that 2006 plan assets, on a calendar year basis, were significantly greater than for 2005 (2006 - \$1.420 billion vs. 2005 - \$1.249 billion). Assets, on a fiscal year basis, have also increased substantially from \$1.305 billion as of June 30, 2006 to \$1.534 billion on June 30, 2007, representing a \$285 million or approximately a 21.8% increase.

Kentucky  
Deferred Compensation  
Authority

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



# Accomplishments

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Kentucky  
Deferred Compensation  
Authority

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

Year	Assets
12/31/1992	\$299,421,872
12/31/1993	\$345,628,472
12/31/1994	\$377,971,229
12/31/1995	\$445,688,072
12/31/1996	\$518,994,025
12/31/1997	\$631,499,204
12/31/1998	\$755,721,008
12/31/1999	\$897,692,891
12/31/2000	\$899,064,718
12/31/2001	\$892,252,657
12/31/2002	\$827,735,663
12/31/2003	\$1,002,971,334
12/31/2004	\$1,118,341,380
12/31/2005	\$1,248,596,528
12/31/2006	\$1,420,204,161
6/30/2007	\$1,534,397,361



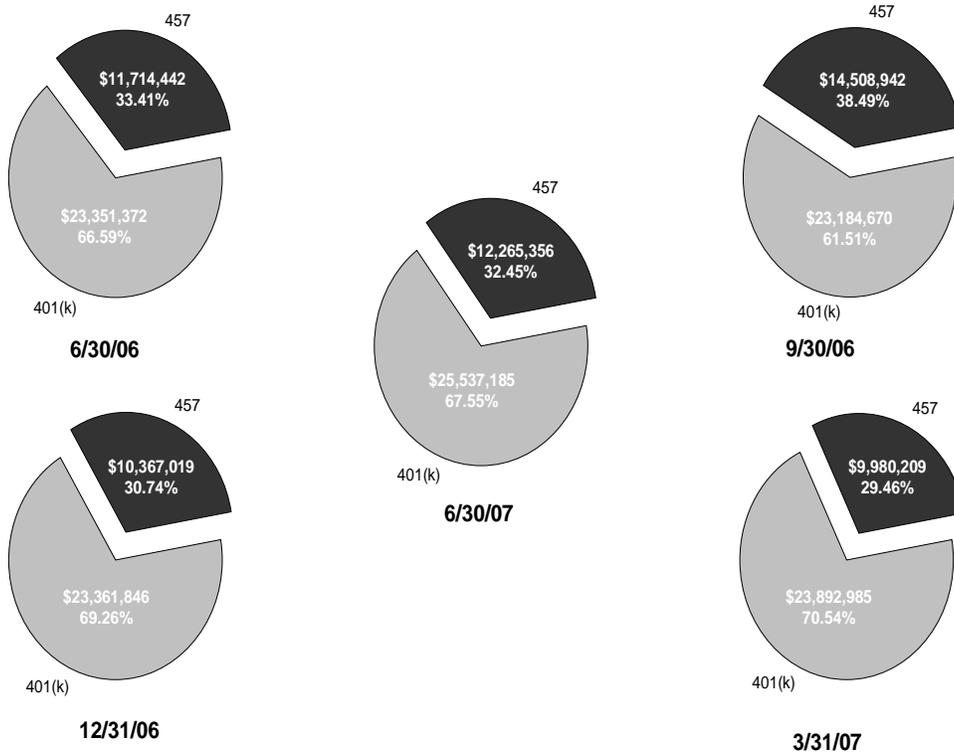
# Accomplishments

- *Plan Trends* – Several important trends continued during fiscal year 2006-2007 within the deferred compensation program.

*Investments* – Graph 3 indicates for the 10<sup>th</sup> time in 11 years, quarterly participant investments have increased. Quarterly participant investments increased significantly from \$35.1 million as of June 30, 2006 to \$37.8 million as of June 30, 2007. This is an increase of \$2.7 million or approximately 7.7%.

Kentucky  
Deferred Compensation  
Authority

## Deferral Investments By Quarter (Excluding Life Insurance and Uninvested Receipts)



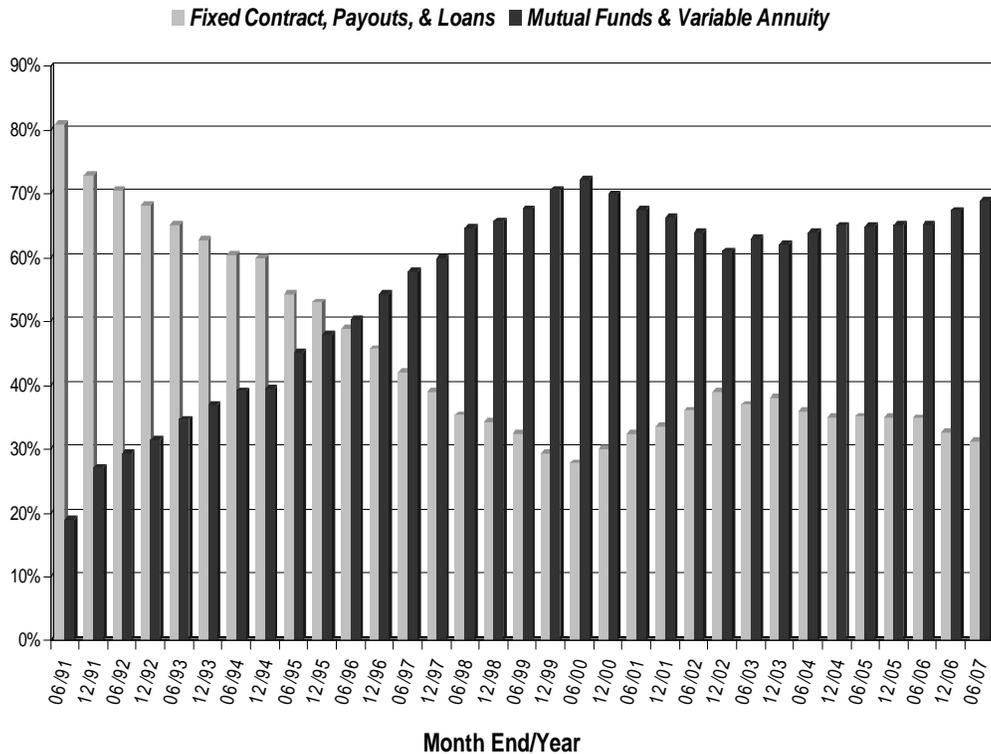
# Accomplishments

*Plan Assets Allocation* – Graph 4 and the accompanying table demonstrates that for a 12<sup>th</sup> consecutive year, participants invested more into the mutual funds than into the Fixed Contract Fund (FCF). This is also the 11<sup>th</sup> 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 \$982.3 million (64.02%) in the stock mutual funds, \$74.1 million (4.83%) in the bond mutual funds/money market fund and \$456.5 million (29.75%) in the FCF. The remaining 1.40% or \$21.5 million represents insurance company benefit accounts and participant loans.

**Kentucky  
Deferred Compensation  
Authority**

## Percentage Allocation of Assets

(Excluding Life Insurance and Uninvested Receipts)



# Accomplishments

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Kentucky  
Deferred Compensation  
Authority

## Assets - Fixed and Variable Second Quarter 2000 to Second Quarter 2007

Year	Fixed	Variable
6/00	\$268,524,880	\$651,705,621
12/00	\$259,967,624	\$639,097,095
6/01	\$277,977,742	\$639,097,095
12/01	\$289,017,828	\$592,069,637
6/02	\$292,352,027	\$541,020,876
12/02	\$319,540,391	\$508,195,322
06/03	\$330,321,165	\$565,503,670
12/03	\$346,607,857	\$656,227,878
06/04	\$356,360,773	\$688,354,792
12/04	\$372,453,803	\$745,887,577
06/05	\$387,788,869	\$764,858,495
12/05	\$436,204,265	\$812,170,473
06/06	\$453,729,486	\$850,997,401
12/06	\$463,034,505	\$957,169,656
06/07	\$478,003,505	\$1,056,393,856



**Nationwide**  
Retirement Solutions

a Nationwide Financial company

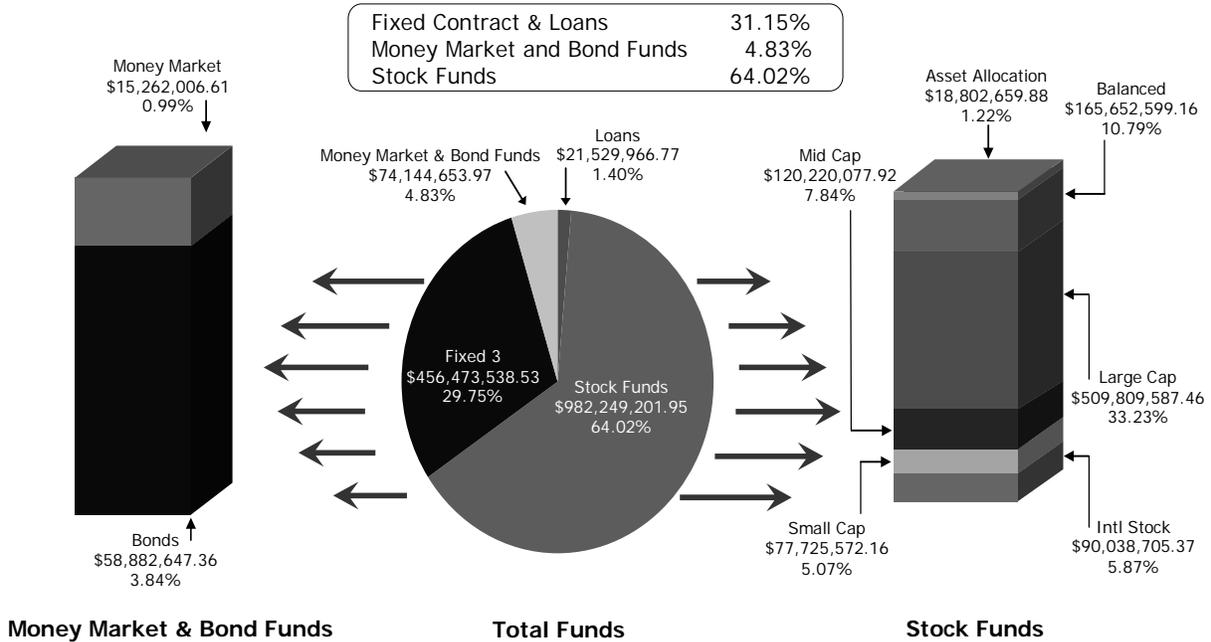
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# Accomplishments

## Allocation of Plan Assets

(Excluding Life Insurance and Uninvested Receipts)

As of June 30, 2007

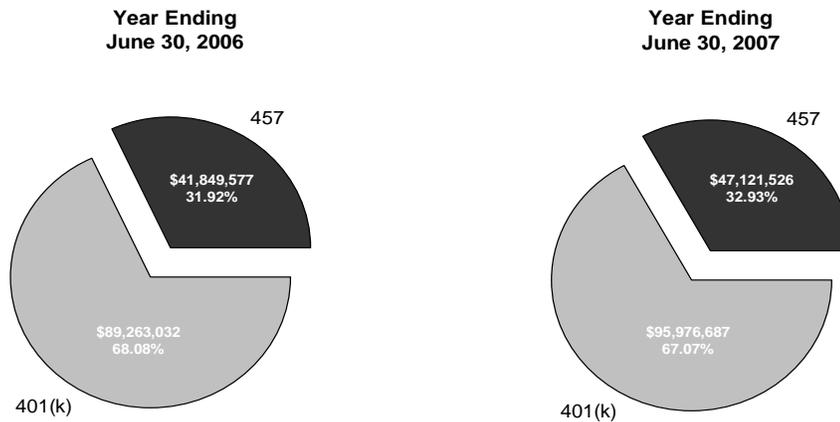


# Accomplishments

- Investments* – Graph 6 demonstrates annual deferral investments increased nicely again this fiscal year and totaled \$143.1 million compared to \$131.1 million at June 30, 2006, representing a \$12.0 million or 9.2% increase. The percentage of the investments into the 401(k) Plan versus the 457 Plan decreased approximately 1.01% to approximately 67.07%. For the fiscal year ended June 30, 2007, the dollars invested in the 401(k) Plan exceeded those invested in the 457 Plan by nearly \$48.9 million. This slight increase in 457 Plan investments is primarily the result of participant’s ability to now purchase air time with the various retirement systems from the 457 Plan and recent changes in federal regulations which make the provisions of the 457 and 401(k) Plans more comparable.

Kentucky  
Deferred Compensation  
Authority

## Annual Deferral Investments (Excluding Life Insurance)



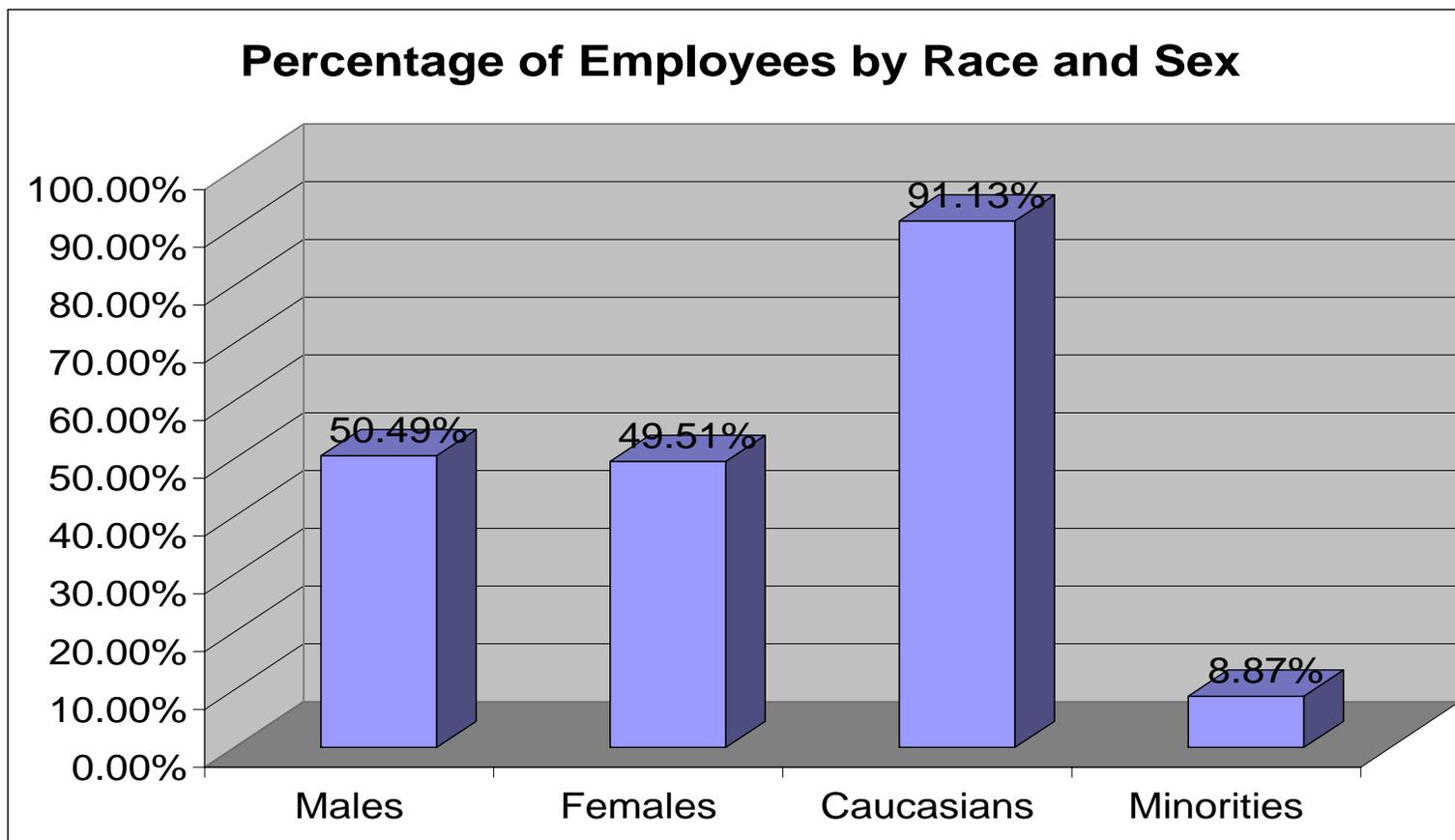
As of July 2007, the Authority offers participants 28 investment options from which to select. The investment spectrum ranges from conservative – to – moderate – to – aggressive. This spectrum of investments consists of 21 mutual funds, 5 target life cycle funds, 1 money market fund and 1 stable value or fixed fund product.



# Employee Facts

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Percentage of Employment by Race and Sex  
June 30, 2007



**NUMBER OF EMPLOYEES  
(Excluding Interims)**

**IN**

**STATE GOVERNMENT  
(as of June 30, 2007)**

Executive Branch.....	35,028
Legislative Branch.....	792
Judicial Branch.....	3,777

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

- 49.51% are female
- 8.87% are minority

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

- 49.8% are female
- 3.7% are minority

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

- 75.8% are female
- 01.8% are minority
- 59.8% are undeclared race

**Average Gross Annual Salary \$ 36,276.36**

**Average Annual Benefits \$ 12,992.50**

	Average Employer Paid Retirement	\$ 4558.10
	Average Employer Paid FICA	\$2448.44
	Average Employer Paid Health Insurance	\$496.97 x 12 = \$5963.64
	Employer Paid Life Insurance	\$1.86 x 12 = \$22.32

Average annual gross salary	\$36,276.36	74% of total compensation
Average annual benefits	<u>\$12,992.50</u>	<u>26%</u> of total compensation
Average annual total compensation	\$49,268.86	100%

## Personnel Cabinet Expenditures

### Allotments

Fund Type	Function Type	Type Name	Functions	Budgeted		Expended	Encumbered	Unobligated	Available
				Annual	YTD				
0100	790A	General Administration Personnel	AA02, AA03	1,001,500.00	1,001,500.00	1,001,214.48	0.00	285.52	<b>285.52</b>
0100	793F	Administration State Salary	*All	805,600.00	805,600.00	805,600.00	0.00	0.00	<b>0.00</b>
0100	55Z0	Comp	ZZ00	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
1300	790A	General Administration Office of Government	AA02, AA03	1,775,000.00	1,775,000.00	1,700,176.85	0.00	74,823.15	<b>74,823.15</b>
1300	790C	Training Employee Relations	CA02	1,567,600.00	1,567,600.00	1,351,437.06	0.00	216,162.94	<b>216,162.94</b>
1300	790E	Employee Relations	EA02	1,075,100.00	1,075,100.00	877,774.84	0.00	197,325.16	<b>197,325.16</b>
2400	790E	Personnel Relations	EBA2	440,000.00	440,000.00	440,000.00	0.00	0.00	<b>0.00</b>
1300	793F	Administration Public Employee Health Ins	*All	7,408,400.00	7,408,400.00	7,401,201.37	0.00	7,198.63	<b>7,198.63</b>
1300	794H	Health Ins	*All	7,303,800.00	7,303,800.00	5,415,537.05	0.00	1,888,262.95	<b>1,888,262.95</b>
		Subtotal		<b>21,377,000.00</b>	21,377,000.00	18,992,941.65			2,384,058.35
0100	55HC	State Group Health Insurance	HI00	2,476,000.00	2,476,000.00	2,408,415.00	0.00	67,585.00	<b>67,585.00</b>
1300	55BA	Deferred Compensation Workers'	BA02	6,009,200.00	6,009,200.00	6,009,140.78	0.00	59.22	<b>59.22</b>
3800	55EB	Compensation	EBB2	24,798,500.00	24,798,500.00	21,777,071.46	0.00	3,021,428.54	<b>3,021,428.54</b>
		Cabinet Total		54,660,700.00	54,660,700.00	49,187,568.89			5,473,131.11

