

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on January 30, 2007, in Room 514-S of the Capitol.

All members were present except:
Representative Jerry Henry - excused

Committee staff present:
Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Amy VanHouse, Legislative Research Department
Aaron Klaassen, Legislative Research Department
Julian Efir, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:
Neville Kenning, National Director State Government Consulting Practice, HayGroup
Glenn Deck, Executive Director, Kansas Public Employees Retirement Systems (KPERs)

Others attending:
See attached list.

- Attachment 1 Explanation of Monumental Buildings Surcharge by Julian Efir
- Attachment 2 Presentation by Neville Kenning
- Attachment 3 Presentation by Glenn Deck

HB 2224, **HB 2236** and **HB 2237** were referred to Social Services Budget Committee.

Representative Watkins moved to introduce legislation concerning the Kansas Turnpike Authority (KTA) with regard to tolls and funding issue. The motion was seconded by Representative Masterson. Motion carried.

Julian Efir, Legislative Research Department, provided an explanation of the Monumental Buildings Surcharge (Attachment 1). Dr. Efir explained that the Governor has recommended an increase in the surcharge assessed on all state agencies located in Shawnee County. The surcharge provides funding for issues such as pay plan adjustments and utility costs. The increase will fund operating expenses on the Capitol Complex parking lots. Dr. Efir noted that federal funds cannot be expended for these issues. The Governor has recommended increases in the surcharge for each year through FY 2009.

Alan Conroy, Legislative Research Department, introduced Neville Kenning, National Director of the State Government Consulting Practice, HayGroup, who provided an overview on Phase I of the Salary Survey Report regarding the classified state employee pay plan (Attachment 2). Also representing the HayGroup were Greg Wolf, Consultant, and Jaimee Chism, Technical Analyst. The study was authorized by the 2006 Legislature. Mr. Kenning reports that salaries in the state pay plan lag behind the market by 10 to 15 percent; principally, because the state has not funded pay raises in recent years to keep pace with the market.

Responding to questions from the Committee, Mr. Kenning noted:

- The elimination of lower steps of the pay plan in 2002 attributed to a large accumulation of present staff at Level 5.
- No unclassified employees were included in the study or those of local governments, such as school district teachers. In addition, no benefits were included in salary considerations in the study.
- Inclusion of non-participating large cities or corporations within the State in the statistics would not have sufficiently changed the results.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 30, 2007, in Room 514-S of the Capitol.

- The study did not look at the length of time vacant positions were open or the state benefit package.
- The State's present pay plan is easy to understand with a clear structure.

Chair Schwartz recognized Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), who presented an overview of KPERS, funding and initiatives ([Attachment 3](#)). Responding to a question from the Committee, Mr. Deck stated that KPERS contracts with a money manager to oversee approximately 75 percent of their investments. The balance of investments are controlled internally. The long-term goal of KPERS is to obtain an 8 percent return on their investments.

- The Committee requested further information on the effect of an amendment added on the floor of the House to **SB 30** that would appropriate \$80 million for retirement or defeasement of pension bonds issued for the Kansas Public Employee Retirement System.

The meeting was adjourned at 10:50 a.m. The next meeting of the Committee will be held at 9:00 a.m. on January 31, 2007.


Sharon Schwartz, Chair

House Appropriations Committee
January 30, 2007
9:00 A.M.

NAME	REPRESENTING
Kim Fowler	Judicial Branch
Ken O'Le	DPS
Tanya Keys	Juvenile Justice Authority
Sandy Brown	Dept of Commerce
Dennis Peerenboom	DEPT OF AGRICULTURE
Allen Humphrey	KDOT
Kraig Knowlton	DPS
KAMPAL	KDOR
Jessica Rucette	KDOR
Michelle King	Hay
Jane	Ag
Greg Wolf	Hay
Rick Roberts	KUMC
STAN FROWNFELTER	Ks House 31 st
LARRY R BAEK	LKM
Linda Lynn Nelson	Budget
Jeff	Budget
Ken Seebert	Ken Law Firm
AK Prineaux	FHSU.

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January 29, 2007

To: House Appropriations Committee
From: Julian Efird, Principal Analyst
Re: Monumental Buildings Surcharge

The **Governor** recommends an increase in the approved FY 2007 rate of \$1.75, with a revised rate of \$2.07 per square foot recommended in order to provide funding for operating expenses of the Capitol Complex parking lots, in addition to other factors, such as pay plan adjustments and utility costs. The 2006 Legislature approved "free" parking for state employees in Capitol Complex lots and the loss of revenue from that action exceeds \$500,000 in FY 2007 as a result.

The **Governor** recommends continuing "free" parking in Capitol Complex parking lots for FY 2008 and FY 2009, with funding recommended from the Monumental Buildings Surcharge to be used in financing Capitol Complex parking lot operating expenses. Subsequent rate increases also are recommended, with \$2.19 in FY 2008 and \$2.32 in FY 2009 included in the Governor's recommendations. Factors such as additional staffing, pay plan adjustments, utilities, and the parking lots contribute to the increases in rates after FY 2007.

The Monumental Buildings Surcharge applies to all state agencies located in Shawnee County and is assessed on the square footage of assigned rentable space in state buildings or leased space in private buildings. Federal funds cannot be used to pay the assessment which is used to support the maintenance and operation expenditures for the Statehouse, Judicial Center, Cedar Crest, and Capitol Complex parking lots.

Monumental Building Surcharge Per Square Foot Charge and Revenue

	Actual FY 2006	Approved FY 2007	Gov Rec FY 2007	Gov Rec FY 2008	Gov Rec FY 2009	Multiyear Change FY 06-09
Rate	\$ 1.18	\$ 1.75	\$ 2.07	\$ 2.19	\$ 2.33	\$ 1.15
Revenue	\$ 2,721,509	\$ 3,215,657	\$ 4,089,109	\$ 4,324,932	\$ 4,638,856	\$ 1,917,347

State of Kansas

Salary Survey Report

January 30, 2007



2-2

Prepared by:

Neville Kenning
National Director State Government Consulting Practice

Greg Wolf
Consultant

Lisa Bailey
Senior Technical Analyst

Jaimee Chism
Technical Analyst

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Background and Objective

- While salary surveys have been conducted for selected occupational groups and jobs as part of the ongoing administration of the State's salary plan, it is many years since a comprehensive salary survey has been conducted.
- Against that background, the Legislative Coordinating Council directed the Department of Administration and the Legislative Research Council to prepare a scope of work statement for engaging the Hay Group to:
 - conduct a comprehensive salary survey (Phase I); and
 - evaluate work being done by the Department of Administration in the design of a new compensation plan (Phase II).

Background and Objective (cont'd)

- The objective of Phase I has been to conduct a salary survey based on a comprehensive list of benchmark positions and comparator organizations and to provide the State with:
 - Analysis of current salary range and actual pay as compared to the market;
 - Provide data that can be used for determining specific occupational groups and/or classifications that should be prioritized for potential future salary changes; and
 - Provide commentary on the construct of the current ranges as one source of input to Phase II.

Project Process

- The following steps have been undertaken:
 - Initial planning and scoping meeting;
 - Mutual agreement on the benchmark positions and constituency of the comparator market;
 - Collection of current State of Kansas salary data;
 - Design and distribution of customized salary survey instrument;
 - Intensive follow up with identified participants to optimize participation;
 - Analysis of salary data (internal and external).

Project Process (cont'd)

- Meeting to clarify data “cut” issues and preliminary survey output;
- Presentation of report to leadership of the Department of Administration and the Legislative Research Council; and
- Preparation of this report for key Legislative Leadership.

Analysis – Internal Pay Practice

- While the focus of this study has been on comparison with the external market, it is important to also have data on the current pay practice in terms of:
 - On which step in their current pay ranges employees are paid; and
 - the distribution of employees across the salary ranges.
- It is the understanding of Hay that for the past six years, there was limited or no funding for step movements by employees.
- Accordingly, the level of competitiveness of pay as compared to the external market should be viewed in conjunction with internal pay practice.

Analysis – Internal Pay Practice (cont'd)

- For example, if the midpoint of a pay range is 10% behind the market and actual pay is on any step below the midpoint of the range, actual pay lags the market by an amount greater than 10%.
- Set out in the table on page 9 is a benchmark summary of pay distribution by compa-ratio.
- Compa-ratio is the actual salary divided by the corresponding salary range midpoint. The midpoint of the range was calculated by averaging the salary range minimum and maximum.
- The table on page 10 shows the overall distribution of employees by step.

Analysis – Internal Pay Practice (cont'd)

Employee Distribution Analysis - By Number of Employees - Benchmark Jobs Only

Grade	Compa-Ratio Grouping (Number of Employees)						Total
	85% - 91%	91% - 97%	97% - 103%	103%-109%	109% - 115%	>115%	
008	14	3	2	1	1	0	21
009	195	17	14	15	52	0	293
010	133	4	5	2	6	0	150
011	318	19	13	12	43	0	405
013	44	5	8	9	19	0	85
014	87	4	0	1	7	0	99
015	749	160	106	123	280	0	1418
016	115	16	7	7	12	0	157
017	715	92	32	49	161	23	1072
018	201	405	92	99	282	53	1132
019	456	119	126	84	129	0	914
020	164	67	37	29	101	0	398
021	719	257	96	115	131	0	1318
022	375	132	120	55	80	47	809
023	40	46	30	4	12	0	132
024	201	94	51	40	28	1	415
025	69	39	49	24	207	0	388
026	290	112	127	57	95	0	681
027	100	28	21	7	17	0	173
028	85	27	13	8	10	0	143
029	287	169	87	46	91	83	763
030	53	29	23	5	8	1	119
031	19	11	5	4	9	0	48
032	26	39	11	25	61	22	184
033	14	11	9	5	15	1	55
034	4	7	10	2	7	0	30
035	18	42	31	11	29	0	131
037	0	4	1	3	3	2	13
038	3	0	4	0	1	0	8
Total	5494	1958	1130	842	1897	233	11554

Overall Compa-Ratio: 96.4%

Analysis – Internal Pay Practice (cont'd)

Distribution of Employees by Step - Benchmark Jobs Only

Step	# of EEs	% of Total EEs
4	842	7.3%
5	3852	33.3%
6	800	6.9%
7	745	6.4%
8	576	5.0%
9	637	5.5%
10	667	5.8%
11	462	4.0%
12	422	3.7%
13	370	3.2%
14	447	3.9%
15	541	4.7%
16	960	8.3%
70-98	233	2.0%
Total	11554	100.0%

Commentary on Internal Pay Practice

- Overall compa-ratio is 96.4%, indicating that on average, employees are paid below the middle step.
- Of the jobs identified as benchmarks for survey purposes, the number of employees with compa-ratios between 85% and 91% is 5,494 (48% of employees). The number of employees with a compa-ratio greater than 109% is 2,130 (18% of employees).
- 41% of payroll falls in the 85% to 91% compa-ratio grouping and 22% of payroll falls above 109% compa-ratio.
- The largest percent of employees (33%) are paid at step 5. On the other extreme, around 20% of employees (18.9%) are paid at step 14 or above.

Analysis – External Competitiveness – All Participants

- The State and Hay mutually agreed on 232 classifications as benchmark positions. This sample was chosen to ensure that there was a good coverage of all occupational groups and different levels of work.
- For a job family series, the most typical level chosen was the “journey” level.
- 100 Organizations were targeted for participation and data was received from 71. In the opinion of Hay, this is a pleasing response and provides sufficient data to be able to make meaningful and valid comparisons.

Analysis – External Competitiveness – All Participants (cont'd)

- Comparator market organizations were grouped as follows (the numbers in parenthesis show the participants in that group)
 - States (7)
 - Cities (10)
 - Private Sector (21)
 - Counties (11)
 - School Districts (10)
 - Health Systems/Facilities (12)

Analysis – External Competitiveness – All Participants (cont'd)

- Part of the brief given by the State was for Hay to provide data by Occupational Group.
- Set out on the following page is a summary of the survey data by Occupational Group.

Analysis – External Competitiveness – All Participants (cont'd)

State of Kansas - Percent From Survey Median and Average

Occup Code	Occupational Group	% From Med	% From Avg	SOK Inc. Wtd % From Med	SOK Inc. Wtd % From Avg
A1	Accountants, Auditors and Financial Examiners	-11.8%	-10.6%	-10.7%	-9.8%
A2	Public Relations, Marketing and Economic Development Professionals	-5.3%	-7.4%	-5.2%	-3.7%
A3	Regulatory and Compliance Inspectors	-8.3%	-9.6%	-1.0%	-5.6%
A4	General Business Administrators and Managers	0.8%	-10.9%	-9.7%	-9.4%
A5	Real Estate and Property Appraisers	16.1%	9.3%	29.6%	25.6%
A6	Human Resources Professionals and Trainers	-5.0%	-8.9%	-2.5%	-7.3%
B1	Architect and Engineer Professionals and Associates	1.1%	-4.3%	-4.1%	-8.5%
C1	Analysts, Consultants and Planners	11.4%	3.6%	12.8%	2.3%
C3	Science Professionals, Technicians and Technologists	-10.9%	-9.1%	-9.4%	6.2%
D1	Psychologists, Social Workers and Rehabilitation Counselors	-4.3%	-4.0%	-8.0%	-9.5%
D2	Human Services Professionals and Technicians	-2.2%	-2.1%	3.7%	-0.3%
D3	Legal Professionals and Technicians	-16.1%	-20.4%	-24.5%	-26.7%
E1	Archival, Historical, Museum & Library Professionals and Technicians	-1.7%	-10.6%	-0.6%	-3.8%
E2	Graphic and Performing Artists	-17.9%	-22.3%	-20.6%	-22.7%
F1	Non-Licensed Medical and Health Technicians	-5.5%	-11.0%	2.8%	-4.9%
F2	Licensed Medical and Health Professionals and Technicians	-4.1%	-6.3%	6.8%	3.5%
F3	Animal Medical and Health Professionals and Technicians	NA	4.8%	NA	4.8%
K1	Administrative Specialists	-6.6%	-11.5%	-10.0%	-16.0%
K2	Office Support Workers	-16.9%	-19.8%	-12.7%	-16.5%
L1	Protective Services Professionals and Technicians	2.1%	-1.6%	2.3%	-1.1%
M1	Conservation, Horticultural & Wildlife/Forestry Professionals and Technicians	-40.3%	-36.2%	-40.3%	-36.2%
M2	Grain Service Inspectors, Operators and Examiners	NA	NA	NA	NA
N1	Printing Workers	-9.4%	-12.4%	-7.6%	-10.0%
N2	Building and Electronic Trades Workers	-16.9%	-18.0%	-19.9%	-20.3%
N3	Vehicle, Equipment and Aircraft Mechanics/Operators	-9.3%	-13.9%	-3.9%	-7.1%
P1	Information Resource Management Professionals and Technicians	-2.6%	-7.2%	3.8%	-1.9%
P2	Data Processing Professionals and Technicians	-12.2%	-15.6%	-4.1%	-9.2%
P3	Telecommunications Professionals and Technicians	-6.5%	-9.6%	-3.3%	-9.5%
R1	Dietetic, Nutrition and Food Services Professionals and Technicians	-8.4%	-12.7%	-7.5%	-12.5%
R2	Miscellaneous Services Professionals and Workers	-11.1%	-9.9%	-17.0%	-19.0%
	Overall	-7.2%	-9.9%	-5.7%	-7.9%

Analysis – External Competitiveness – All Participants (cont'd)

- The State requested data on those classifications that may warrant priority in terms of potential future funding of salary increases. While level of competitiveness should be considered in conjunction with such factors as turnover, time to fill, quality and quantity of candidates, the further pay of a classification lags the market, the more likely it is that the State will have difficulty attracting and retaining the quantity and quality of candidates it seeks.
- Set out on the following page is a summary of those benchmark classifications for which actual pay **lags** the market median by more than 15% and those benchmark classifications for which actual pay is more than 15% **above** the market median. Tables are sorted by % from market, followed by tables sorted by classification code.

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Analysis – External Competitiveness – All Participants (cont'd)

State of Kansas Actual Pay Lags Market Median by Greater than 15% - Sorted by % From Market

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
F1	Rehab Support Worker I	509	7	\$20.2	-36%	-38%
P2	Computer Operations Supervisor	810	16	\$36.6	-35%	-31%
P2	Computer Operations Manager	807	4	\$43.9	-33%	-36%
C3	Environmental Technician II	230	8	\$29.7	-32%	-26%
N2	Electrician	744	13	\$26.6	-32%	-32%
R1	Food Service Manager	901	6	\$33.4	-32%	-30%
N2	Lock System Specialist	750	3	\$27.8	-31%	-28%
N2	Utility Worker	754	150	\$18.0	-31%	-31%
D3	Legal Assistant	315	57	\$30.1	-29%	-31%
N3	Automotive Driver	760	21	\$16.9	-27%	-35%
N2	Plumber	741	9	\$26.4	-27%	-32%
A3	Petroleum Industry Regulatory Technician I	119	4	\$31.5	-26%	-21%
K2	Storekeeper Senior	608	59	\$23.0	-25%	-25%
D1	Social Worker	301	34	\$32.0	-25%	-21%
C3	Environmental Technician IV	231	28	\$41.7	-24%	-25%
P3	Network Control Technician II	820	17	\$39.5	-23%	-26%
N2	Refrigeration and Air Conditioning Service Tech	743	33	\$30.4	-23%	-20%
D3	Attorney I	313	57	\$45.0	-22%	-24%
A1	Accountant IV	103	59	\$50.2	-22%	-24%
E2	Graphic Designer Senior	410	16	\$35.7	-22%	-26%
N3	Mechanic Senior	757	4	\$26.8	-21%	-24%
P3	IT Project Manager	816	11	\$58.2	-21%	-21%
N3	Aviation Technician	756	4	\$40.0	-21%	-23%
C3	Microbiologist I	222	5	\$35.7	-21%	-25%
N2	Power Plant Operator	740	8	\$25.2	-21%	-29%
N2	Buildings System Technician	746	48	\$30.2	-20%	-21%
N2	Carpenter	742	8	\$26.3	-20%	-20%
R2	Custodial Worker	913	198	\$18.2	-19%	-20%

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
A1	State Auditor III	111	36	\$50.8	-19%	-16%
A1	State Auditor II	101	68	\$42.9	-19%	-9%
K2	Office Assistant	609	323	\$19.3	-18%	-19%
P1	Technology Support Technician II	804	33	\$32.7	-18%	-21%
A1	Accountant II	102	99	\$37.7	-17%	-16%
K1	Administrative Officer	602	151	\$33.6	-17%	-23%
R2	Custodial Supervisor	912	71	\$24.7	-17%	-22%
F2	Registered Nurse	512	19	\$37.1	-17%	-16%
P2	Computer Operator I	809	16	\$29.3	-16%	-18%
L1	Warden III	733	4	\$67.3	-16%	-21%
A6	Human Resource Professional III	135	36	\$47.2	-16%	-18%
N2	Physical Plant Supervisor Senior	753	42	\$43.1	-16%	-16%
L1	Juvenile Corrections Officer I	701	218	\$27.1	-15%	-12%
N2	Machinist	751	4	\$29.8	NA*	-24%
D3	Administrative Law Judge	312	6	\$62.1	NA*	-24%
E1	Education Specialist	407	3	\$37.8	NA*	-22%
B1	Landscape Architect II	207	2	\$48.7	NA*	-22%
L1	Motor Carrier Inspector II	726	30	\$31.2	NA*	-21%
E1	Historic Site Curator I	404	9	\$29.8	NA*	-21%
N3	Equipment Body Mechanic	761	5	\$33.0	NA*	-20%
F2	Licensed Mental Health Tech	521	78	\$29.9	NA*	-19%
E2	Media Production Technician	411	11	\$31.4	NA*	-18%
P3	Network Control Supervisor	819	2	\$45.2	NA*	-18%
A1	Financial Examiner Administrator	109	2	\$60.8	NA*	-16%
R2	Cosmetologist	910	1	\$24.6	NA*	-16%
P3	Network Service Supervisor	821	2	\$48.7	NA*	-16%
C3	Agricultural Inspector III	227	14	\$39.4	NA*	-15%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Analysis – External Competitiveness – All Participants (cont'd)

State of Kansas Actual Pay Lags Market Median by Greater than 15% - Sorted by Classification Code

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
A1	Accountant IV	103	59	\$50.2	-22%	-24%
A1	State Auditor III	111	36	\$50.8	-19%	-16%
A1	State Auditor II	101	68	\$42.9	-19%	-9%
A1	Accountant II	102	99	\$37.7	-17%	-16%
A1	Financial Examiner Administrator	109	2	\$60.8	NA*	-16%
A3	Petroleum Industry Regulatory Technician	119	4	\$31.5	-26%	-21%
A6	Human Resource Professional III	135	36	\$47.2	-16%	-18%
B1	Landscape Architect II	207	2	\$48.7	NA*	
C3	Environmental Technician II	230	8	\$29.7	-32%	-26%
C3	Environmental Technician IV	231	28	\$41.7	-24%	-25%
C3	Microbiologist I	222	5	\$35.7	-21%	-25%
C3	Agricultural Inspector III	227	14	\$39.4	NA*	-15%
D1	Social Worker	301	34	\$32.0	-25%	-21%
D3	Legal Assistant	315	57	\$30.1	-29%	-31%
D3	Attorney I	313	57	\$45.0	-22%	-24%
D3	Administrative Law Judge	312	6	\$62.1	NA*	-24%
E1	Education Specialist	407	3	\$37.8	NA*	-22%
E1	Historic Site Curator I	404	9	\$29.8	NA*	-21%
E2	Graphic Designer Senior	410	16	\$35.7	-22%	-26%
E2	Media Production Technician	411	11	\$31.4	NA*	-18%
F1	Rehab Support Worker I	509	7	\$20.2	-36%	-38%
F2	Registered Nurse	512	19	\$37.1	-17%	-16%
F2	Licensed Mental Health Tech	521	78	\$29.9	NA*	-19%
K1	Administrative Officer	602	151	\$33.6	-17%	-23%
K2	Storekeeper Senior	608	59	\$23.0	-25%	-25%
K2	Office Assistant	609	323	\$19.3	-18%	-19%
L1	Warden III	733	4	\$67.3	-16%	-21%
L1	Juvenile Corrections Officer I	701	218	\$27.1	-15%	-12%
L1	Motor Carrier Inspector II	726	30	\$31.2	NA*	-21%

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
N2	Electrician	744	13	\$26.6	-32%	-32%
N2	Lock System Specialist	750	3	\$27.8	-31%	-28%
N2	Utility Worker	754	150	\$18.0	-31%	-31%
N2	Plumber	741	9	\$26.4	-27%	-32%
N2	Refrigeration and Air Conditioning Service	743	33	\$30.4	-23%	-20%
N2	Power Plant Operator	740	8	\$25.2	-21%	-29%
N2	Buildings System Technician	746	48	\$30.2	-20%	-21%
N2	Carpenter	742	8	\$26.3	-20%	-20%
N2	Physical Plant Supervisor Senior	753	42	\$43.1	-16%	-16%
N2	Machinist	751	4	\$29.8	NA*	-24%
N3	Automotive Driver	760	21	\$16.9	-27%	-35%
N3	Mechanic Senior	757	4	\$26.8	-21%	-24%
N3	Aviation Technician	756	4	\$40.0	-21%	-23%
N3	Equipment Body Mechanic	761	5	\$33.0	NA*	-20%
P1	Technology Support Technician II	804	33	\$32.7	-18%	-21%
P2	Computer Operations Supervisor	810	16	\$36.6	-35%	-31%
P2	Computer Operations Manager	807	4	\$43.9	-33%	-36%
P2	Computer Operator I	809	16	\$29.3	-16%	-18%
P3	Network Control Technician II	820	17	\$39.5	-23%	-26%
P3	IT Project Manager	816	11	\$58.2	-21%	-21%
P3	Network Control Supervisor	819	2	\$45.2	NA*	-18%
P3	Network Service Supervisor	821	2	\$48.7	NA*	-16%
R1	Food Service Manager	901	6	\$33.4	-32%	-30%
R2	Custodial Worker	913	198	\$18.2	-19%	-20%
R2	Custodial Supervisor	912	71	\$24.7	-17%	-22%
R2	Cosmetologist	910	1	\$24.6	NA*	-16%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Analysis – External Competitiveness – All Participants (cont'd)

State of Kansas Actual Pay Above Market Median by Greater than 15% - Sorted by % From Market

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
A5	Property Appraiser II	126	18	\$47.9	42%	42%
L1	Special Agent in Charge - KBI	729	9	\$73.3	27%	24%
A5	Property Appraiser III	127	10	\$55.6	27%	18%
B1	Professional Environmental Engineer III	213	9	\$76.7	23%	20%
L1	Highway Patrol Master/Technical Trooper	702	184	\$57.7	23%	24%
L1	Senior Special Agent - KBI	711	48	\$62.5	22%	27%
C1	Financial Economist	217	4	\$66.3	18%	13%
P1	Technology Support Consultant II	801	73	\$42.0	17%	9%
C1	Research Analyst III	214	29	\$40.8	15%	-1%
F2	Mental Health Developmental Disability Technician	510	751	\$26.6	15%	14%
D2	Volunteer Services Coordinator	310	8	\$32.3	NA*	15%
R2	Barber/Beauty Shop Inspector	909	1	\$31.3	NA*	17%
C3	Environmental Scientist II	226	113	\$47.5	NA*	30%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Analysis – External Competitiveness – All Participants (cont'd)

State of Kansas Actual Pay Above Market Median by Greater than 15% - Sorted by Classification Code

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
A5	Property Appraiser III	127	10	\$55.6	27%	18%
A5	Property Appraiser II	126	18	\$47.9	42%	42%
B1	Professional Environmental Engineer III	213	9	\$76.7	23%	20%
C1	Research Analyst III	214	29	\$40.8	15%	-1%
C1	Financial Economist	217	4	\$66.3	18%	13%
C3	Environmental Scientist II	226	113	\$47.5	NA*	30%
D2	Volunteer Services Coordinator	310	8	\$32.3	NA*	15%
F2	Mental Health Developmental Disability Technician	510	751	\$26.6	15%	14%
L1	Highway Patrol Master/Technical Trooper	702	184	\$57.7	23%	24%
L1	Senior Special Agent - KBI	711	48	\$62.5	22%	27%
L1	Special Agent in Charge - KBI	729	9	\$73.3	27%	24%
P1	Technology Support Consultant II	801	73	\$42.0	17%	9%
R2	Barber/Beauty Shop Inspector	909	1	\$31.3	NA*	17%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Commentary on External Competitiveness – All Participants

- Overall, the State of Kansas salary practice lags noticeably behind both the median and average of the market.
- The State of Kansas trails the market in all categories on aggregate:
 - 6 – 7% behind the Median
 - 9 – 10% behind the Average
- The following Occupational Codes trail the market median by >10%
 - A1 Accountants, Auditors and Financial Examiners
 - C3 Science Professionals, Technicians and Technologists
 - D3 Legal Professionals and Technicians
 - E2 Graphic and Performing Artists
 - K2 Office Support Workers
 - M1 Conservation, Horticultural & Wildlife/Forestry Profs and Technicians
 - N2 Building and Electronic Trades Workers
 - P2 Data Processing Professionals and Technicians
 - R2 Miscellaneous Services Professionals and Workers

Commentary on External Competitiveness - All Participants

- The following Occupational Codes lead the market median by >10%
 - C1 Analysts, Consultants and Planners
 - A5 Real Estate and Property Appraisers

Analysis – External Competitiveness – States Only

- Set out on pages 24-29 is data showing the results of the survey for State participants only.
- Part of the brief given by the State was for Hay to provide data by Occupational Group.
- Set out on the following page is a summary of the survey data by Occupational Group for State participants only.

Analysis – External Competitiveness – States Only (cont'd)

State of Kansas - Percent From Survey Median and Average - States Only

Occup Code	Occupational Group	% From Med	% From Avg	SOK Inc. Wtd % From Med	SOK Inc. Wtd % From Avg
A1	Accountants, Auditors and Financial Examiners	0.5%	-5.4%	5.5%	1.1%
A2	Public Relations, Marketing and Economic Development Professionals	-1.2%	-3.4%	-0.6%	-1.7%
A3	Regulatory and Compliance Inspectors	-7.7%	-9.0%	0.4%	-5.0%
A4	General Business Administrators and Managers	0.8%	-10.9%	-9.7%	-9.4%
A5	Real Estate and Property Appraisers	4.3%	1.6%	4.7%	11.5%
A6	Human Resources Professionals and Trainers	4.5%	-2.6%	4.8%	-1.0%
B1	Architect and Engineer Professionals and Associates	6.2%	-1.9%	11.1%	-0.9%
C1	Analysts, Consultants and Planners	12.3%	4.9%	10.8%	3.6%
C3	Science Professionals, Technicians and Technologists	-10.9%	-13.2%	-9.4%	-7.8%
D1	Psychologists, Social Workers and Rehabilitation Counselors	1.3%	-0.8%	-1.9%	-6.2%
D2	Human Services Professionals and Technicians	-2.2%	-2.1%	3.7%	-0.3%
D3	Legal Professionals and Technicians	-1.8%	-18.3%	-0.1%	-22.4%
E1	Archival, Historical, Museum & Library Professionals and Technicians	-0.7%	-10.3%	0.1%	-3.6%
E2	Graphic and Performing Artists	-1.8%	-11.5%	-0.3%	-10.7%
F1	Non-Licensed Medical and Health Technicians	-4.0%	-8.7%	2.9%	0.4%
F2	Licensed Medical and Health Professionals and Technicians	-3.9%	-7.1%	7.0%	3.3%
F3	Animal Medical and Health Professionals and Technicians	NA	4.8%	NA	4.8%
K1	Administrative Specialists	3.0%	-5.1%	-4.2%	-12.4%
K2	Office Support Workers	-9.2%	-9.0%	-4.3%	-1.4%
L1	Protective Services Professionals and Technicians	1.4%	-1.5%	0.9%	-3.7%
M1	Conservation, Horticultural & Wildlife/Forestry Professionals and Technicians	NA	-21.2%	NA	-21.2%
M2	Grain Service Inspectors, Operators and Examiners	NA	NA	NA	NA
N1	Printing Workers	NA	-4.1%	NA	-6.2%
N2	Building and Electronic Trades Workers	-15.3%	-15.6%	-11.1%	-14.0%
N3	Vehicle, Equipment and Aircraft Mechanics/Operators	-4.2%	-12.6%	-1.0%	-3.2%
P1	Information Resource Management Professionals and Technicians	-1.7%	-3.2%	6.2%	2.5%
P2	Data Processing Professionals and Technicians	-5.7%	-10.1%	2.5%	-2.0%
P3	Telecommunications Professionals and Technicians	-4.5%	-4.4%	0.3%	-3.7%
R1	Dietetic, Nutrition and Food Services Professionals and Technicians	-11.3%	-15.5%	-14.1%	-18.5%
R2	Miscellaneous Services Professionals and Workers	-3.7%	-4.9%	-8.1%	-11.2%
	Overall	-2.1%	-6.9%	-0.1%	-4.8%

Analysis – External Competitiveness – States Only (cont'd)

- Set out on the following page is a summary of those benchmark classifications for which actual pay **lags** the market median by more than 15% and those benchmark classifications for which actual pay is more than 15% **above** the market median as compared to the State only data. Tables are sorted by % from market, followed by tables sorted by classification code.

2-27

Analysis – External Competitiveness – States Only (cont'd)

States Only

State of Kansas Actual Pay Lags Market Median by Greater than 15% - Sorted by % From Market

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	Avg Step Below Middle Step	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg	SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	Avg Step Below Middle Step	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
C3	Environmental Technician II	230	8	Yes	\$29.7	-37%	-26%	D3	Attorney I	313	57	Yes	\$45.0	NA*	-27%
F1	Rehab Support Worker I	509	7	Yes	\$20.2	-36%	-38%	P2	Computer Operations Supervisor	810	16	Yes	\$36.6	NA*	-27%
C3	Environmental Technician IV	231	28	Yes	\$41.7	-34%	-40%	N3	Aviation Technician	756	4		\$40.0	NA*	-25%
R1	Food Service Manager	901	6		\$33.4	-33%	-35%	D3	Administrative Law Judge	312	6		\$62.1	NA*	-24%
N2	Utility Worker	754	150	Yes	\$18.0	-29%	-25%	E1	Education Specialist	407	3		\$37.8	NA*	-22%
A1	Accountant IV	103	59	Yes	\$50.2	-27%	-27%	B1	Landscape Architect II	207	2		\$48.7	NA*	-22%
N3	Automotive Driver	760	21	Yes	\$16.9	-27%	-36%	L1	Motor Carrier Inspector II	726	30		\$31.2	NA*	-21%
A3	Petroleum Industry Regulatory Technician	119	4	Yes	\$31.5	-26%	-21%	M1	Grounds Maintenance Super I	734	8	Yes	\$25.7	NA*	-21%
N2	Plumber	741	9	Yes	\$26.4	-25%	-26%	E1	Historic Site Curator I	404	9		\$29.8	NA*	-21%
N2	Electrician	744	13	Yes	\$26.6	-23%	-28%	N3	Equipment Body Mechanic	761	5		\$33.0	NA*	-20%
P2	Computer Operations Manager	807	4		\$43.9	-23%	-25%	D3	Legal Assistant	315	57	Yes	\$30.1	NA*	-19%
R1	Cook	902	60	Yes	\$19.9	-22%	-23%	F2	Licensed Mental Health Tech	521	78		\$29.9	NA*	-19%
C3	Microbiologist I	222	5	Yes	\$35.7	-21%	-25%	E2	Media Production Technician	411	11	Yes	\$31.4	NA*	-18%
N2	Power Plant Operator	740	8		\$25.2	-21%	-29%	P3	Network Control Supervisor	819	2	Yes	\$45.2	NA*	-18%
F2	Registered Nurse Administrator	514	6		\$58.9	-20%	-19%	N2	Physical Plant Supervisor Senior	753	42		\$43.1	NA*	-17%
P3	IT Project Manager	816	11	Yes	\$58.2	-20%	-17%	A1	Financial Examiner Administrator	109	2	Yes	\$60.8	NA*	-16%
P2	Computer Operator I	809	16	Yes	\$29.3	-19%	-17%	R2	Cosmetologist	910	1		\$24.6	NA*	-16%
N2	Carpenter	742	8	Yes	\$26.3	-18%	-17%	P3	Network Service Supervisor	821	2	Yes	\$48.7	NA*	-16%
F2	Registered Nurse	512	19		\$37.1	-18%	-17%	C3	Agricultural Inspector III	227	14	Yes	\$39.4	NA*	-15%
K2	Storekeeper Senior	608	59	Yes	\$23.0	-17%	-14%	R2	Custodial Manager	911	18		\$31.5	NA*	-15%
R1	Food Service Supervisor	904	38	Yes	\$24.8	-16%	-24%								
B1	Architect II	208	3		\$46.0	-16%	-20%								
L1	Warden III	733	4	Yes	\$67.3	-16%	-21%								
L1	Juvenile Corrections Officer I	701	218	Yes	\$27.1	-15%	-12%								
N2	Refrigeration and Air Conditioning Service	743	33	Yes	\$30.4	-15%	-16%								

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Positions no longer lag market Median by greater than 15% when compared to States Only.

N3	Mechanic Senior	Still lag when comparing to Market Average instead of Median
R2	Custodial Worker	Still lag when comparing to Market Average instead of Median
K1	Administrative Officer	Still lag when comparing to Market Average instead of Median
K2	Office Assistant	
P1	Technology Support Technician II	
D1	Social Worker	
A1	State Auditor III	
A1	Accountant II	
A6	Human Resource Professional III	
R2	Custodial Supervisor	
A1	State Auditor II	
N2	Buildings System Technician	
P3	Network Control Technician II	
E2	Graphic Designer Senior	

Positions From Previous 15% No Longer 3 or More Participants

N2	Lock System Specialist
N2	Machinist

Analysis – External Competitiveness – States Only (cont'd)

States Only

State of Kansas Actual Pay Lags Market Median by Greater than 15% - Sorted by Classification Code

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	Avg Step Below Middle Step	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
A1	Accountant IV	103	59	Yes	\$50.2	-27%	-27%
A1	Financial Examiner Administrator	109	2	Yes	\$60.8	NA*	-16%
A3	Petroleum Industry Regulatory Technician	119	4	Yes	\$31.5	-26%	-21%
B1	Architect II	208	3		\$46.0	-16%	-20%
B1	Landscape Architect II	207	2		\$48.7	NA*	-22%
C3	Environmental Technician II	230	8	Yes	\$29.7	-37%	-26%
C3	Environmental Technician IV	231	28	Yes	\$41.7	-34%	-40%
C3	Microbiologist I	222	5	Yes	\$35.7	-21%	-25%
C3	Agricultural Inspector III	227	14	Yes	\$39.4	NA*	-15%
D3	Attorney I	313	57	Yes	\$45.0	NA*	-27%
D3	Administrative Law Judge	312	6		\$62.1	NA*	-24%
D3	Legal Assistant	315	57	Yes	\$30.1	NA*	-19%
E1	Education Specialist	407	3		\$37.8	NA*	-22%
E1	Historic Site Curator I	404	9		\$29.8	NA*	-21%
E2	Media Production Technician	411	11	Yes	\$31.4	NA*	-18%
F1	Rehab Support Worker I	509	7	Yes	\$20.2	-36%	-38%
F2	Registered Nurse Administrator	514	6		\$58.9	-20%	-19%
F2	Registered Nurse	512	19		\$37.1	-18%	-17%
F2	Licensed Mental Health Tech	521	78		\$29.9	NA*	-19%
K2	Storekeeper Senior	608	59	Yes	\$23.0	-17%	-14%
L1	Warden III	733	4	Yes	\$67.3	-16%	-21%
L1	Juvenile Corrections Officer I	701	218	Yes	\$27.1	-15%	-12%
L1	Motor Carrier Inspector II	726	30		\$31.2	NA*	-21%

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	Avg Step Below Middle Step	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
M1	Grounds Maintenance Super I	734	8		\$25.7	NA*	-21%
N2	Utility Worker	754	150	Yes	\$18.0	-29%	-25%
N2	Plumber	741	9	Yes	\$26.4	-25%	-26%
N2	Electrician	744	13	Yes	\$26.6	-23%	-28%
N2	Power Plant Operator	740	8		\$25.2	-21%	-29%
N2	Carpenter	742	8	Yes	\$26.3	-18%	-17%
N2	Refrigeration and Air Conditioning	743	33	Yes	\$30.4	-15%	-16%
N2	Physical Plant Supervisor Senior	753	42		\$43.1	NA*	-17%
N3	Automotive Driver	760	21	Yes	\$16.9	-27%	-36%
N3	Aviation Technician	756	4		\$40.0	NA*	-25%
N3	Equipment Body Mechanic	761	5		\$33.0	NA*	-20%
P2	Computer Operations Manager	807	4		\$43.9	-23%	-25%
P2	Computer Operator I	809	16	Yes	\$29.3	-19%	-17%
P2	Computer Operations Supervisor	810	16	Yes	\$36.6	NA*	-27%
P3	IT Project Manager	816	11	Yes	\$58.2	-20%	-17%
P3	Network Control Supervisor	819	2	Yes	\$45.2	NA*	-18%
P3	Network Service Supervisor	821	2	Yes	\$48.7	NA*	-16%
R1	Food Service Manager	901	6		\$33.4	-33%	-35%
R1	Cook	902	60	Yes	\$19.9	-22%	-23%
R1	Food Service Supervisor	904	38	Yes	\$24.8	-16%	-24%
R2	Cosmetologist	910	1		\$24.6	NA*	-16%
R2	Custodial Manager	911	18		\$31.5	NA*	-15%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Positions no longer lag market Median by greater than 15% when compared to States Only.

A1	State Auditor III	
A1	Accountant II	
A1	State Auditor II	
A6	Human Resource Professional III	
D1	Social Worker	
E2	Graphic Designer Senior	
K1	Administrative Officer	Still lag when comparing to Market Average instead of Median
K2	Office Assistant	
N2	Buildings System Technician	
N3	Mechanic Senior	Still lag when comparing to Market Average instead of Median
P1	Technology Support Technician II	
P3	Network Control Technician II	
R2	Custodial Worker	Still lag when comparing to Market Average instead of Median
R2	Custodial Supervisor	

Positions From Previous 15% No Longer 3 or More Participants

N2	Lock System Specialist
N2	Machinist

Analysis – External Competitiveness – States Only (cont'd)

States Only

State of Kansas Actual Pay Above Market Median by Greater than 15% - Sorted by % From Market

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	Avg Step Below Middle Step	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
B1	Professional Civil Engineer II	203	92		\$69.1	35%	26%
L1	Special Agent in Charge - KBI	729	9		\$73.3	27%	24%
L1	Fire Prevention Inspector	720	18		\$44.4	26%	18%
B1	Professional Environmental Engineer III	213	9		\$76.7	23%	20%
L1	Highway Patrol Master/Technical Trooper	702	184		\$57.7	23%	24%
C1	Financial Economist	217	4		\$66.3	21%	15%
B1	Engineering Technician Specialist	202	111	Yes	\$43.5	21%	9%
A1	Accounting Specialist	106	175	Yes	\$29.9	21%	15%
K1	Procurement Officer IV	605	11	Yes	\$55.7	17%	5%
A5	Property Appraiser III	127	10		\$55.6	17%	8%
P1	Technology Support Consultant II	801	73	Yes	\$42.0	17%	11%
C1	Research Analyst III	214	29	Yes	\$40.8	15%	-1%
F2	Mental Health Developmental Disability Technician	510	751	Yes	\$26.6	15%	14%
D2	Volunteer Services Coordinator	310	8	Yes	\$32.3	NA*	15%
P3	IT Security Analyst II	815	5	Yes	\$57.5	NA*	15%
R2	Barber/Beauty Shop Inspector	909	1		\$31.3	NA*	17%
F1	Client Training Supervisor	507	82	Yes	\$34.1	NA*	18%
A5	Property Appraiser II	126	18		\$47.9	NA*	21%
L1	Senior Special Agent - KBI	711	48		\$62.5	NA*	27%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Positions no longer above market Median by greater than 15% when compared to States Only.

C3 Environmental Scientist II

Bolded, Above, are new to the group.

Analysis – External Competitiveness – States Only (cont'd)

States Only

State of Kansas Actual Pay Above Market Median by Greater than 15% - Sorted by Classification Code

SOK OCC Code	Benchmark Position	Survey Code	SOK # of EEs	Avg Step Below Middle Step	SOK Avg Pay	SOK Median Salary % From Survey Med	SOK Salary % From Survey Avg
A1	Accounting Specialist	106	175	Yes	\$29.9	21%	15%
A5	Property Appraiser III	127	10		\$55.6	17%	8%
A5	Property Appraiser II	126	18		\$47.9	NA*	21%
B1	Professional Civil Engineer II	203	92		\$69.1	35%	26%
B1	Professional Environmental Engineer III	213	9		\$76.7	23%	20%
B1	Engineering Technician Specialist	202	111	Yes	\$43.5	21%	9%
C1	Financial Economist	217	4		\$66.3	21%	15%
C1	Research Analyst III	214	29	Yes	\$40.8	15%	-1%
D2	Volunteer Services Coordinator	310	8	Yes	\$32.3	NA*	15%
F1	Client Training Supervisor	507	82	Yes	\$34.1	NA*	18%
F2	Mental Health Developmental Disability Technician	510	751	Yes	\$26.6	15%	14%
K1	Procurement Officer IV	605	11	Yes	\$55.7	17%	5%
L1	Special Agent in Charge - KBI	729	9		\$73.3	27%	24%
L1	Fire Prevention Inspector	720	18		\$44.4	26%	18%
L1	Highway Patrol Master/Technical Trooper	702	184		\$57.7	23%	24%
L1	Senior Special Agent - KBI	711	48		\$62.5	NA*	27%
P1	Technology Support Consultant II	801	73	Yes	\$42.0	17%	11%
P3	IT Security Analyst II	815	5	Yes	\$57.5	NA*	15%
R2	Barber/Beauty Shop Inspector	909	1		\$31.3	NA*	17%

*NA: Data is not available because there are fewer than 5 participants reporting a match.

Positions no longer above market Median by greater than 15% when compared to States Only.

C3 Environmental Scientist II

Bolded, Above, are new to the group.

Summary of External Competitiveness

- Overall, the State of Kansas salary practice lags noticeably behind both the median and average of the market.
- The State of Kansas trails the market in all categories on aggregate:

	All Participants	States Only	All Excluding States	Public	Public Excluding States	Private
% Behind Median	6-7%	2%	11-15%	2-4%	10-13%	15-16%
% Behind Average	8-10%	7-8%	13-14%	8%	10-11%	17-18%

Construct of Salary Ranges

- The State's current pay structure consists of 34 pay grades, each of which have 13 steps.
- The salary spread from the minimum to maximum is 34% and each step is approximately 2.5% apart.
- Analysis of data from the survey shows the following:
 - Of those using steps, the median number of steps is 13.
 - Only one of the states surveyed reported using a step system.
 - 70% of cities reported using steps.
 - 70% of counties reported using steps.
 - 50% of school districts reported using steps.
 - The median salary range spread from minimum to maximum in the market is 50%.

APPENDIX I

Definition of Terms

- The selected Comparator Group organizations are ranked according to the following percentile measures :
- P75 is the 75th Percentile, meaning that 25% of the data is above this point, and 75% is below.
- P50 is the Median, meaning that 50% the data is above this point, and 50% is below.
- P25 is the 25th Percentile, meaning that 75% of the data is above this point, and 25% is below.
- Average is the sum of the data for each benchmark position divided by the number of participants for that position.

Definition of Terms (cont'd)

- State of Kansas Average Pay refers to the average of annualized base salaries for incumbents in the benchmark position.
- Annual Range Midpoint refers to the middle of the salary range.
- Compa-ratio refers to an actual salary divided by the corresponding salary range midpoint.
- Overall Compa-ratio refers to the sum of the actual salaries divided by the sum of the salary range midpoints.

APPENDIX II

List of Survey Participants

Participants for the 2006 State of Kansas Customized Compensation Survey 100 Participants (71 Received)

Cities (14)	Status (10)	Counties (19)	Status (11)	School Districts (15)	Status (10)
Emporia	Yes	Barton	Yes	Blue Valley	Yes
Hays	Yes	Butler	No	Derby	No
Hutchinson	Yes	Cowley	No	Emporia	Yes
Kansas City	No	Crawford	No	Garden City	Yes
Larned	Yes	Douglas	No	Hays	Yes
Lawrence	Yes	Ellis	Yes	Kansas City, Kansas	No
Lenexa	Yes	Finney	No	Larned	No
Manhattan	Yes	Johnson	Yes	Lawrence	Yes
Olathe	Yes	Labette	Yes	Manhattan	No
Overland Park	Yes	Leavenworth	Yes	Olathe	Yes
Salina	Yes	Lyon	Yes	Pittsburg	Yes
Shawnee	No	Miami	Yes	Salina	Yes
Topeka	No	Pawnee	No	Shawnee Mission Public School	Yes
Wichita	No	Reno	No	Topeka Public Schools	Yes
		Riley	Yes	Wichita	No
		Saline	Yes		
		Sedgwick	Yes		
		Shawnee	Yes		
		Wyandotte	No		

List of Survey Participants (cont'd)

States (8)	Status (7)	Private Companies (32)	Status (21)	Healthcare Facilities (13)	Status (12)
Arkansas	No	American Century Investments	Yes	Central Kansas Medical Center	Yes
Colorado	Yes	Applebee's International	Yes	Children's Mercy Hospital	Yes
Iowa	Yes	Blue Cross and Blue Shield of Kansas	Yes	Heartland Regional Medical Center	Yes
Missouri	Yes	Blue Cross Blue Shield of Kansas City, MO	Yes	Kansas Rehabilitation Hospital	Yes
Nebraska	Yes	Burlington Northern Santa Fe	No	Saint Luke's Health System and Hospitals	Yes
New Mexico	Yes	Cessna Aircraft Co.	Yes	Shawnee Mission Medical Center	Yes
Oklahoma	Yes	Coffeyville Resources	Yes	Sisters of Mercy Health System	Yes
Wyoming	Yes	Debold Larsen & Associates Inc.	Yes	Stormont Vail Health Services	Yes
		Deere	Yes	Truman Medical Center	Yes
		Excel Corp (Cargill)	Yes	Via Christi Regional Medical Center	Yes
		Farmland Foods	Yes	Wesley Medical Center	Yes
		Hallmark Cards	Yes	Olathe Medical Center Wellness	No
		Helzberg Diamonds	Yes	Sisters of Charity	Yes
		Jostens Printing and Publishing	No		
		Kansas City Life Insurance	Yes		
		Reser's Fine Foods	No		
		Southern Union -- Missouri Gas Energy	Yes		
		Terracon	Yes		
		Westar Energy	No		
		Kirkham-Michael	Yes		
		Spirit Aero Systems	No		
		Payless ShoeSource	Yes		
		Security Benefit Group of Companies	Yes		
		Tyson Fresh Meats	No		
		Quintiles	Yes		
		PEC (Professional Engineering Consultants)	No		
		HNTB Corporation (Kansas)	Yes		
		Geotechnical Services Inc. (GSI)	No		
		Environmental Works Inc.	No		
		Burns & McDonell	No		
		Johnson County Department of Environment	Yes		
		Johnson County Water District	Yes		
		Bombardier Aerospace Security	Yes		

Kansas Public Employees Retirement System

KPERS Overview, Funding & Initiatives

House Appropriations Committee

▪

January 30, 2007

KPERS Overview

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KPERS' mission is to provide retirement, disability and survivor benefits to our members and their beneficiaries.

Administer three statewide, defined benefit plans for public employees.

- Kansas Public Employees Retirement System
- Kansas Police & Firemen's Retirement System
- Kansas Retirement System for Judges

Partner with 1,450 state and local government employers.

- State of Kansas
- 296 school districts
- 105 counties
- 400 cities & townships
- Other employers include libraries, hospitals, community colleges & conservation districts

Governed by a nine-member Board of Trustees.

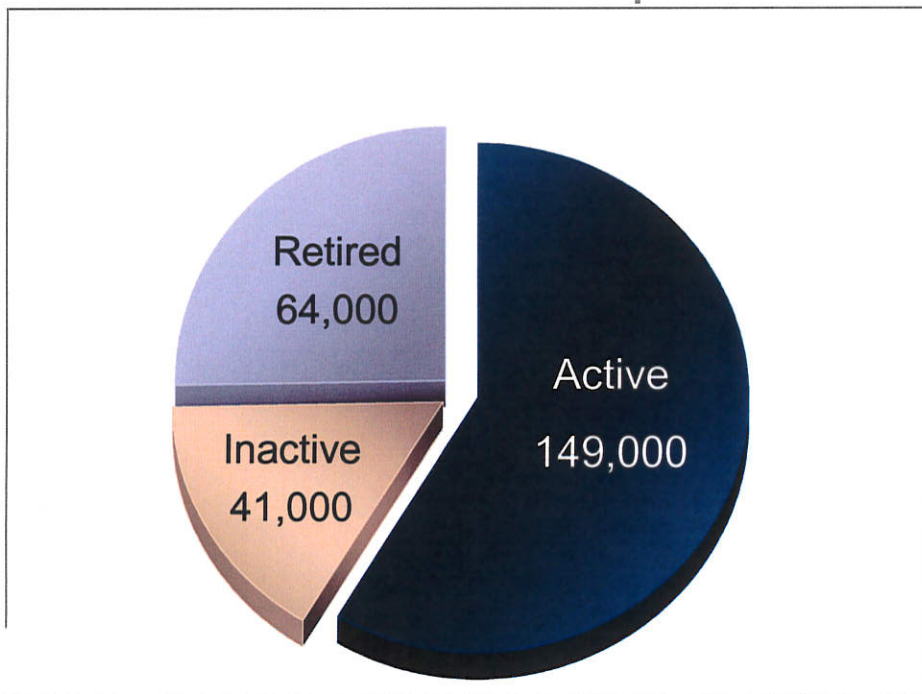
- 85-member staff.

Membership

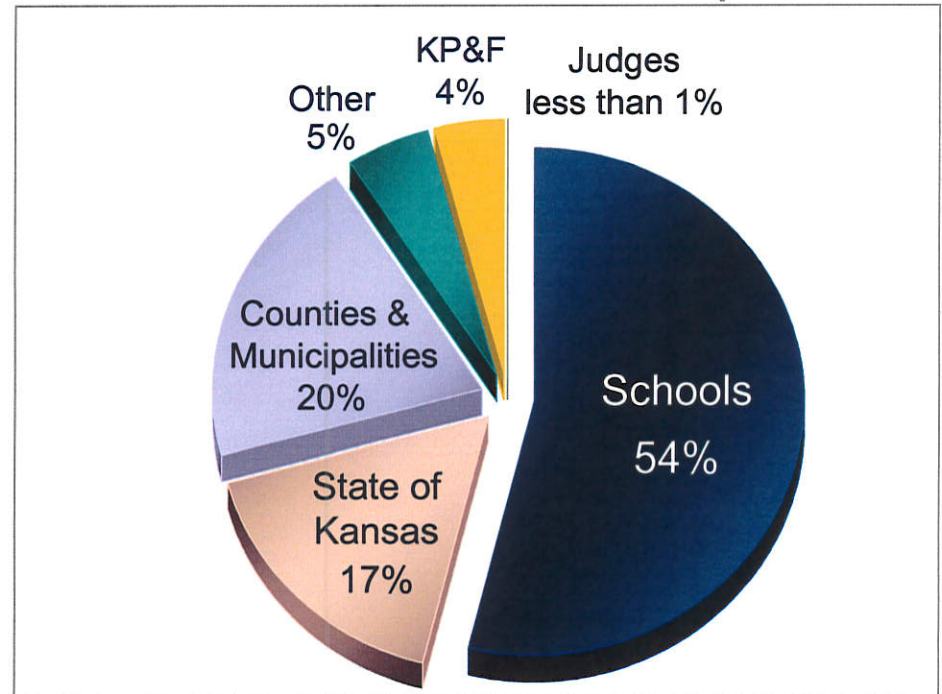
3-3

- Serve 254,000 members.
- State of Kansas is largest participating employer.
- More than half of active members employed by school districts.
 - State of Kansas pays the employer contributions for all school members.

Total Membership



Active Membership



Defined Benefit Basics

3-4

KPERS is a defined benefit plan governed by K.S.A. 74-4901 *et seq.* and Section 401(a) of the Internal Revenue Code.

- KPERS retirement benefits considered contractual obligations of the State of Kansas.

The Legislature enacts retirement plan design in state statutes, including:

- Eligibility for membership
- Employee & employer contribution rates
- Service credit
- Vesting requirements
- Benefit formula
- Retirement eligibility

Statutory Benefit Formula (KPERS)

▪ Final Average Salary	X	Years of Service	X	Statutory Multiplier	=	Annual Benefit
<i>Example: \$35,000</i>	X	<i>30 years</i>	X	<i>1.75%</i>	=	<u><i>\$18,375</i></u>

3-5

Defined Benefit Funding

KPERS primary funding objective is to accumulate enough assets during members' working years to pay all promised benefits when members retire.

- Secondary objective is to establish employer contribution rates that remain relatively level from year to year.

Retirement Funding

$$\text{Contributions} + \text{Investments} - \text{Expenses} = \text{Benefits}$$



Actuarial Funding Concepts

Benefits are pre-funded with contributions plus investment income.

- Members & employers contribute for future benefits during working careers.
- Each year, KPERS' consulting actuary values the assets and liabilities and calculates employer contribution rates needed to properly fund benefits.

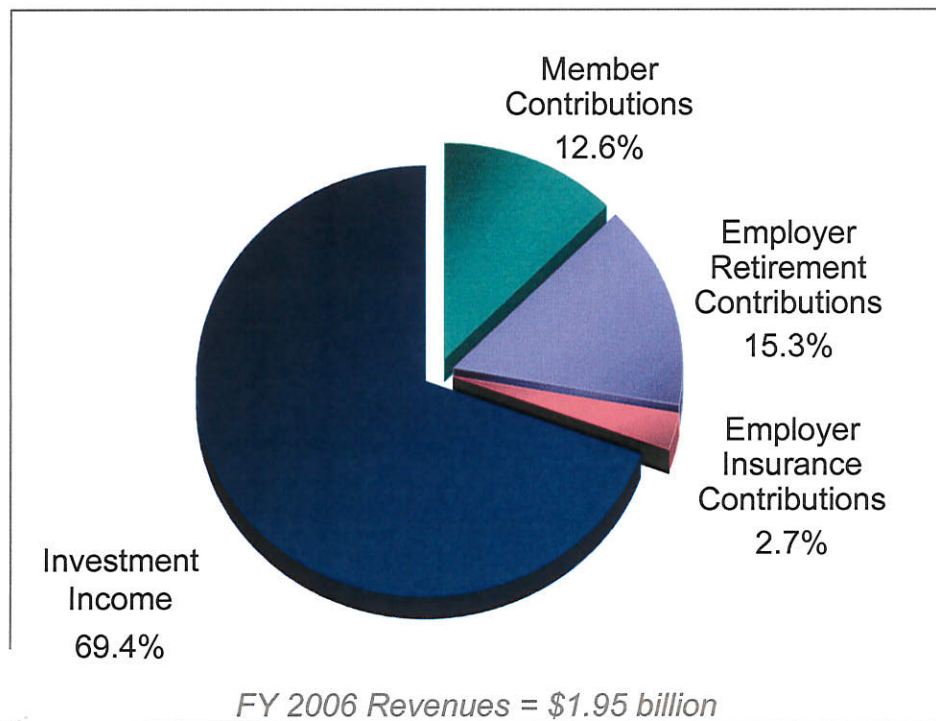
3-6

Financial Basics

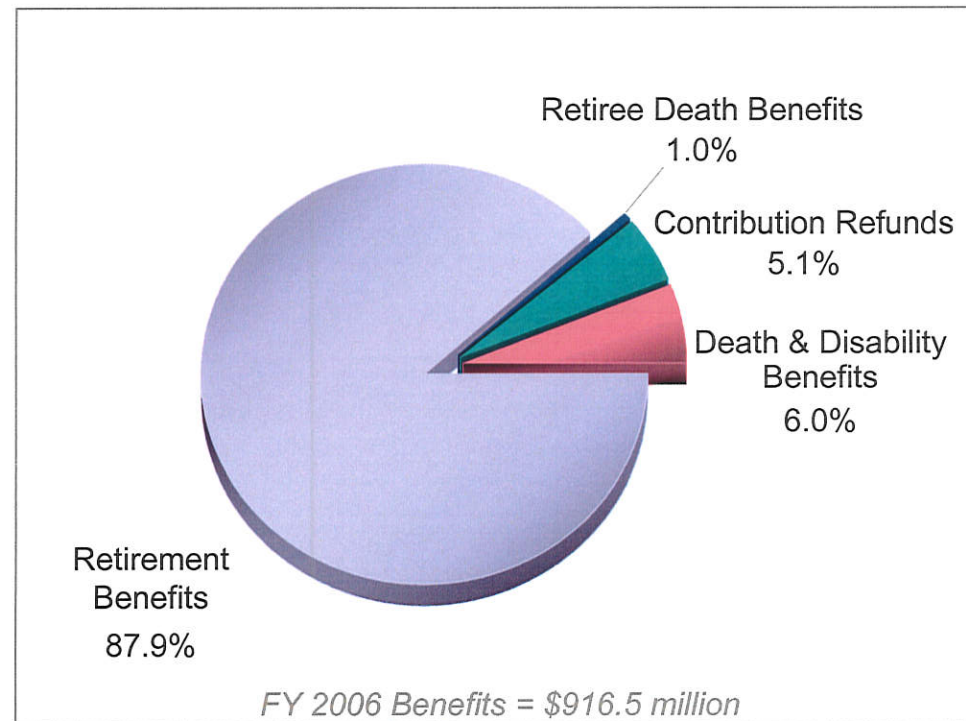
KPERS' total revenues were nearly **\$2 billion** with benefit payments approaching **\$1 billion** for fiscal year 2006.

- Approximately 85% to 90% of benefits remain in Kansas.

FY 2006 Revenues



FY 2006 Benefits



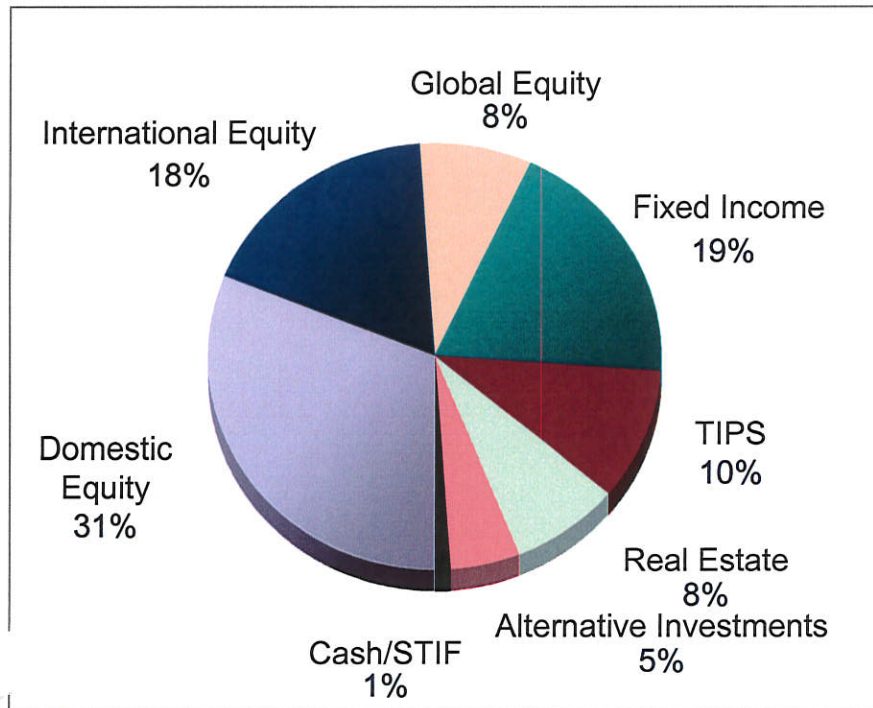
Assets

3-7

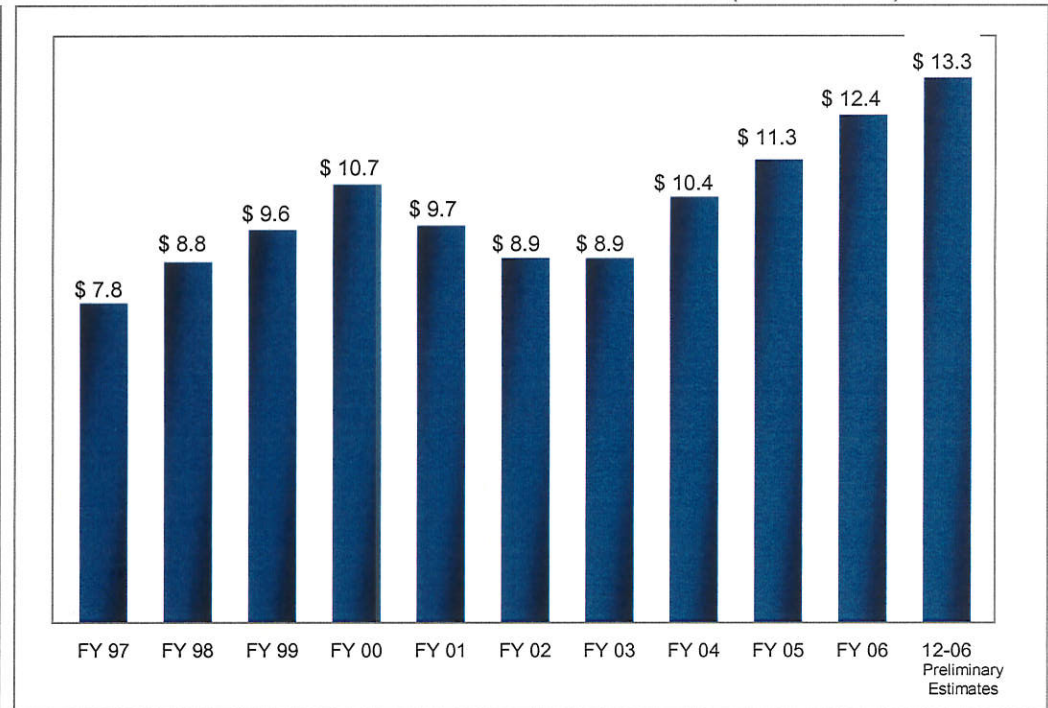
KPERS manages the investment of \$13 billion in trust fund assets in the U.S. and international markets.

- 103rd largest pension fund in the United States.

Asset Allocation



Fund Growth 1997 – 2006 (in billions)



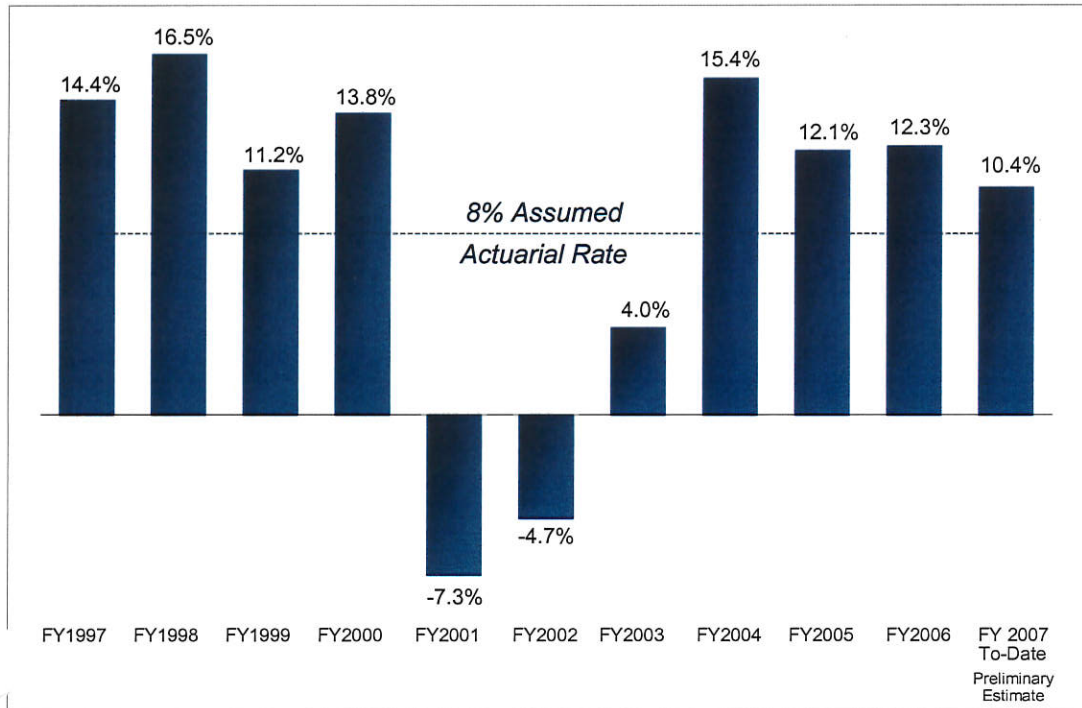
Investment Returns

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KPERS' investment return for fiscal year 2006 was 12.3%.

- Returns for fiscal years 2001-2003 were below 8% actuarial assumption.
- Earned more than 11% from 1997-2000 and 2004-2006.

Investment Returns



Total Returns (FY 1997 – FY 2006)

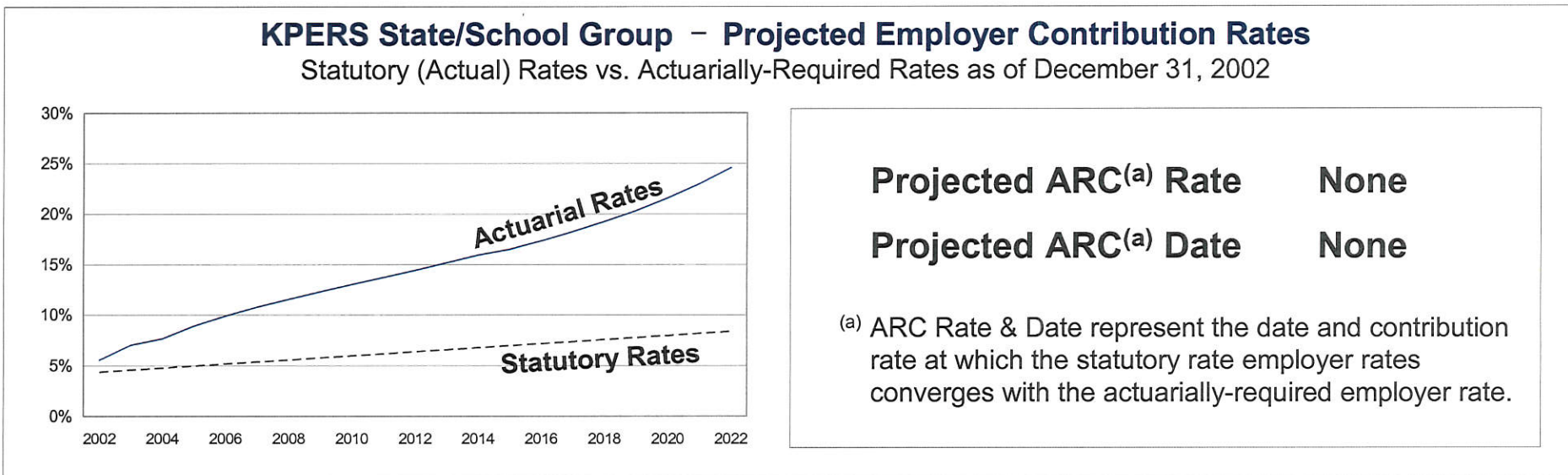


3-9

Funding Background

In 2001 and 2002, actuarial projections indicated the KPERS retirement plan was not in actuarial balance.

- Statutory rates were not projected to reach actuarially-required rates before the end of the amortization period.



- Following the 2001 actuarial valuation results, KPERS began working with Joint Committee on Pensions, Investments and Benefits to develop a comprehensive long-term funding plan to address the shortfall.

Funding Progress

3-10

Significant progress on long-term retirement funding plan in last three years.

- 2003 legislation increased statutory cap on State/School employer contribution rates from 0.2% annually to:
 - 0.4% in FY 2006,
 - 0.5% in FY 2007, and
 - 0.6% in FY 2008 and subsequent years.

- Pension obligation bonds issued in February 2004.
 - \$500 million in pension obligation bonds issued with \$440.2 million in net proceeds to KPERS.
 - Debt service paid through the State General Fund.

3-11

Funding Status

Based on 12-31-05 Actuarial Valuation Results

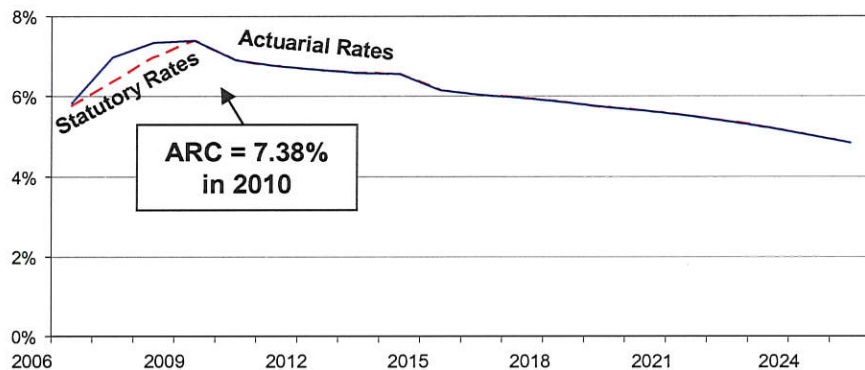
	Unfunded Actuarial Liability (in millions)	Funded Ratio	Where we are now	Where we should be	Projections for reaching where we should be
			Employer Contribution Rates		
			FY 07 Actual	FY 07 Actuarial	ARC Projections Rate & Date ^(a)
KPERS					
▪ State Group	\$ 471	85%	5.77%	5.84%	7.38% in 2010
▪ School Group	3,455	61%	5.77%	9.75%	12.82% in 2019
▪ Local Group	869	67%	4.31%	7.69%	8.42% in 2015
KP&F	\$ 341	80%	12.52%	12.52%	At actuarial rate now
Judges	\$ 16	85%	19.11%	19.11%	At actuarial rate now
Total System	\$5,152	69%	-	-	-

(a) ARC = Estimated, projected rate and date at which statutory (actual) employer contribution rate reaches the actuarially-required rate.

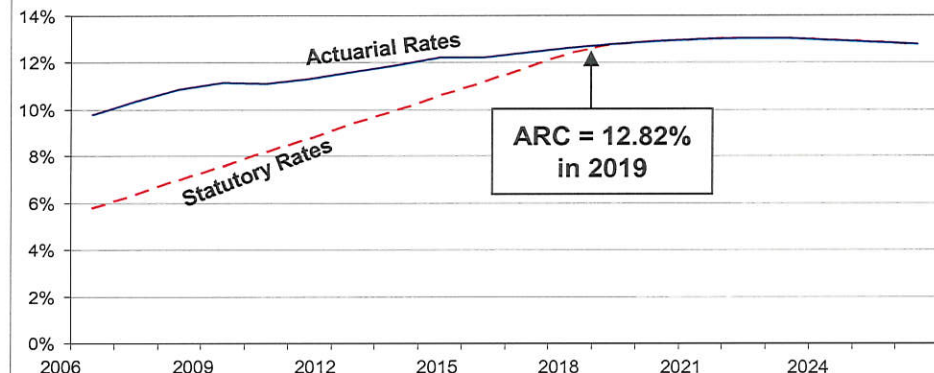
3-12

Funding Status by Group

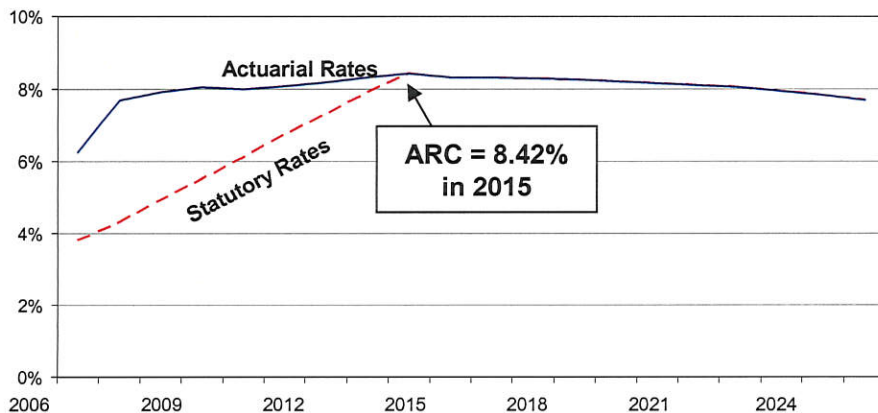
Projected Employer Contribution Rates – State Group



Projected Employer Contribution Rates – School Group



Projected Employer Contribution Rates – Local Group



Funding Projections – All Groups

- (a) Funding projections based on results of KPERS' actuarial valuation dated December 31, 2005.
- (b) Funding projections based on actual investment performance through calendar year 2005 and assume 8% annual investment return for calendar year 2006 and thereafter.

Current Funding Plan – State

3-13

State of Kansas pays employer contributions for State employees and sends School employer contributions to school districts for remittance to KPERs.

- KPERs contributions expected to increase from about 1.5% of total State expenditures in 2007 to 2% to 3.5% of total State expenditures in 2020 (depending on the overall growth rate in State expenditures).

	State Group (millions)	School Group (millions)	POB Debt Service (millions)	Total State Payments (millions)	Annual Increase (millions)
FY 2006	\$ 45.4	\$ 141.1	\$ 10.0	\$ 196.5	\$27.8
FY 2007	\$ 50.9	\$ 158.4	\$ 15.0	\$ 224.3	
FY 2008	\$ 57.6	\$ 179.3	\$ 26.1	\$ 263.0	\$38.7
FY 2009	\$ 64.7	\$ 201.1	\$ 36.2	\$ 302.0	\$39.0
FY 2010	\$ 70.7	\$ 225.2	\$ 36.2	\$ 332.1	\$30.1
FY 2015	\$ 70.7	\$ 399.7	\$ 36.1	\$ 506.5	
FY 2020	\$ 72.7	\$ 585.4	\$ 36.1	\$ 694.2	
FY 2030	\$ 68.4	\$ 777.8	\$ 36.1	\$ 882.3	

Funding Issues

3-14

With recent funding improvements, KPERS is in actuarial balance but significant funding challenges remain.

- KPERS funding leveraged for the next 10 - 15 years until employer contributions reach actuarially-required levels.
- UAL will continue to increase and funded ratio will decrease until statutory employer rates catch up with actuarially-required rates.
- Funding risk can only be mitigated through accelerated employer contributions to reach the actuarially-required levels (ARC rates) sooner.

KPERS funding outlook volatile because of investment markets.

- Funding projections assume investment returns of 8%.
- Funding projections change as actual experience unfolds and differs from 8%.
 - For example, CY 2006 returns higher than 8% likely will improve funding projections modestly when the 2006 actuarial valuation is performed (i.e., School Group ARC reduced 1% to 1.5% and occurs a couple years earlier).
- Any negative returns in future years will push the ARC rates and dates back.
 - With CY 2007 returns of negative 3%, for example, the School Group ARC would be pushed out to around 15% in 2022.

Plan Design Review

3-15

As the final piece of the long-term funding plan for KPERS, the Joint Committee on Pensions, Investments and Benefits has been considering plan design changes for **future** members during the last several years.

The tenuous nature of KPERS funding, along with demographic trends and projections, appear to support plan design changes for future members.

- Current retirement rules create incentives for the most experienced and marketable employees to leave in their early- to mid-50s.
- As the Baby Boomer generation begins to retire, a larger number of members will move into retirement and collect benefits.
- Ratio of active, contributing members to retired members is expected to decline from current level of 2.40 active members for each retiree to about 1.67 in 2020.
- Members who retire in 2036 expected to live (and collect benefits) about two years longer than those who retire in 2006.

During 2006, the KPERS Board of Trustees and the Joint Committee systematically examined a range of plan design alternatives for **future** members.

Plan Design Recommendations

3-16

Recommended Plan Design Objectives

- **Financial Soundness** - Establish actuarial funding plan with an affordable mix of employer & employee contribution rates that ensures financial soundness of the plan over the long term.
- **Retirement Benefit Adequacy** - Provide benefits that, when combined with Social Security and personal savings, sustain the retiree's standard of living in retirement.
- **Workforce Incentives** - Provide sufficient incentives to attract and retain high quality employees as part of the total compensation and benefits package.

Recommended Plan Design Features

- Direct greater emphasis and resources toward encouraging personal savings.
- Increase the normal retirement age above current levels.
- Reduce incentives for members to retire early.
- Provide earlier membership and vesting for all employees.
- Protect the purchasing power of KPERS retirement benefits over time.

Plan Design Bill

3-17

Following an interim study in 2006, the Joint Committee on Pensions, Investments and Benefits approved the introduction of a bill providing the following benefits for KPERS members first employed on or after **July 1, 2009**:

- First day membership.
- Five-year vesting.
- Normal retirement at age 65 with five years of service, or at age 60 with 30 years.
- Early retirement at age 55 with 10 years of service with reduced early retirement subsidies for members with less than 30 years of service.
- Automatic annual 2% cost-of-living adjustments beginning at age 65.
- Employee contribution rate of 6%.

The bill also will include two enhancements for current employees:

- First day membership for those hired between July 1, 2008, and June 30, 2009.
- Five-year vesting effective July 1, 2009.

3-18

Plan Design Cost Impact

Although plan design changes for future employees will not significantly impact reaching the ARC rates, such changes would significantly reduce liabilities and contributions beginning in 15 to 20 years.

Plan Design Cost Estimates for State & School Groups

	Current Plan	Joint Committee Plan
Actuarially-Required Employer Contribution Rate (ARC Rate)	12.82%	11.75%
ARC Date	FY 2019	FY 2017
Employer Contributions	\$ 296 million	\$ 296 million
FY 2010	328	328
FY 2011	361	361
FY 2012	395	395
FY 2013	432	432
FY 2014	470	470
FY 2015	658	592
FY 2020	767	639
FY 2025	846	611
FY 2030	↓	↓
Totals thru 2033	<u>\$ 16.4 billion</u>	<u>\$ 13.8 billion</u>
	← <i>Est. Savings = \$2.6 billion</i> →	

Other Legislative Issues

3-19

Deferred Compensation Plan Administration

- The Joint Committee on Pensions, Investments and Benefits approved the introduction of a bill transferring administration of the State's Deferred Compensation Plan from the Department of Administration to KPERS effective January 1, 2008.
- The Secretary of Administration and the KPERS Board of Trustees support the transfer which is intended to improve the coordination of retirement education and planning for State and local employees and to facilitate increased emphasis on personal savings for retirement.

Tax-Free Insurance Premium Deductions for Public Safety Officers (HB 2078)

- The federal Pension Protection Act of 2006 allows for federal tax-free distributions from a pension plan of up to \$3,000 per year to pay premiums on health or long-term care insurance for retired public safety officers.
- House Bill 2078 is the State enabling legislation needed to implement the insurance premium deductions for an estimated 5,000 to 10,000 retired KP&F and KPERS public safety officers.
- Estimated implementation costs include one-time costs of \$442,000 for information system changes and annual costs of \$35,000 for one additional full-time benefits processing position.

Minor Legislative Amendments

- Increasing earnings limit for disabled KP&F Tier II members from \$10,000 to \$20,000 (HB 2076).
- Modifying rules for improper withdrawals & service credit application between systems (HB 2077).

3-20

Appendix

Employer Contribution Alternatives

- **Employer Cap Increase to 0.8%**
- **Employer Cap Increase to 1%**
- **Employer Cap Increase to Actuarial Rates**

Impact of Accelerated Employer Contributions Annual Increases of 0.8% Beginning in FY 2009

3-21

	State Group ^(a)		School Group		State and School Groups Combined		Local Group	
	Current Plan	Alternative Plan (0.80% Rate Increase)	Current Plan	Alternative Plan (0.80% Rate Increase)	Current Plan	Alternative Plan (0.80% Rate Increase)	Current Plan	Alternative Plan (0.80% Rate Increase)
Projected ARC Rate ^(b)	7.38%	7.38%	12.82%	12.18%	n/a	n/a	8.42%	8.32%
Projected ARC Date ^(b)	2010	2010	2019	2016	n/a	n/a	2014	2013
Estimated Employer Contributions								
Fiscal Year 2009 (in millions)	\$64.65	\$66.51	\$201.14	\$206.91	\$265.79	\$273.42	\$80.40	\$83.30
Fiscal Year 2010 (in millions)	\$72.06	\$75.87	\$223.88	\$235.71	\$295.94	\$311.58	\$92.70	\$98.80
Total Through 2033	\$4,031.56	\$3,903.27	\$12,321.13	\$11,934.04	\$16,352.69	\$15,837.31	\$4,402.50	\$4,335.10
Short-Term Additional Contributions								
Fiscal Year 2009 (in millions)	n/a	\$1.86	n/a	\$5.77	n/a	\$7.63	n/a	\$2.90
Fiscal Year 2010 (in millions)	n/a	\$3.81	n/a	\$11.83	n/a	\$15.64	n/a	\$6.10
Savings Versus Current Plan (in millions) (through 2033, estimated)	n/a	\$128.29	n/a	\$387.09	n/a	\$515.38	n/a	\$67.40

(a) Includes additional contributions for the KPERS School Group as provided in 2005 HB 2037.

(b) ARC = Actuarially-required contributions. ARC Rate and Date refer to the rate and date when KPERS statutory (actual) contributions will reach the actuarially-required levels.

Impact of Accelerated Employer Contributions Annual Increases of 1% Beginning in FY 2009

3-22

	State Group ^(a)		School Group		State and School Groups Combined		Local Group	
	Current Plan	Alternative Plan (1.00% Rate Increase)	Current Plan	Alternative Plan (1.00% Rate Increase)	Current Plan	Alternative Plan (1.00% Rate Increase)	Current Plan	Alternative Plan (1.00% Rate Increase)
Projected ARC Rate ^(b)	7.38%	7.38%	12.82%	11.74%	n/a	n/a	8.42%	8.21%
Projected ARC Date ^(b)	2010	2010	2019	2014	n/a	n/a	2014	2012
Estimated Employer Contributions								
Fiscal Year 2009 (in millions)	\$64.65	\$68.36	\$201.14	\$212.68	\$265.79	\$281.04	\$80.40	\$86.20
Fiscal Year 2010 (in millions)	\$72.06	\$79.68	\$223.88	\$247.54	\$295.94	\$327.22	\$92.70	\$104.80
Total Through 2033	\$4,031.56	\$3,839.48	\$12,321.13	\$11,741.58	\$16,352.69	\$15,581.06	\$4,402.50	\$4,298.80
Short-Term Additional Contributions								
Fiscal Year 2009 (in millions)	n/a	\$3.71	n/a	\$11.54	n/a	\$15.25	n/a	\$5.80
Fiscal Year 2010 (in millions)	n/a	\$7.62	n/a	\$23.66	n/a	\$31.28	n/a	\$12.10
Savings Versus Current Plan (in millions) (through 2033, estimated)	n/a	\$192.08	n/a	\$579.55	n/a	\$771.63	n/a	\$103.70

(a) Includes additional contributions for the KPERS School Group as provided in 2005 HB 2037.

(b) ARC = Actuarially-required contributions. ARC Rate and Date refer to the rate and date when KPERS statutory (actual) contributions will reach the actuarially-required levels.

3-23

Impact of Accelerated Employer Contributions Increasing to Actuarial Rates in FY 2009

	State Group ^(a)		School Group		State and School Groups Combined		Local Group	
	Current Plan	Alternative Plan (ARC in FY 2009)	Current Plan	Alternative Plan (ARC in FY 2009)	Current Plan	Alternative Plan (ARC in FY 2009)	Current Plan	Alternative Plan (ARC in FY 2009)
Projected ARC Rate^(b)	7.38%	7.45%	12.82%	10.86%	n/a	n/a	8.42%	7.92%
Projected ARC Date^(b)	2010	2009	2019	2009	n/a	n/a	2014	2009
Estimated Employer Contributions								
Fiscal Year 2009 (in millions)	\$64.65	\$100.73	\$201.14	\$313.40	\$265.79	\$414.13	\$80.40	\$115.50
Fiscal Year 2010 (in millions)	\$72.06	\$106.90	\$223.88	\$332.12	\$295.94	\$439.02	\$92.70	\$122.40
Total Through 2033	\$4,031.56	\$3,670.07	\$12,321.13	\$11,230.36	\$16,352.69	\$14,900.43	\$4,402.50	\$4,202.40
Short-Term Additional Contributions								
Fiscal Year 2009 (in millions)	n/a	\$36.08	n/a	\$112.26	n/a	\$148.34	n/a	\$35.10
Fiscal Year 2010 (in millions)	n/a	\$34.84	n/a	\$108.24	n/a	\$143.08	n/a	\$29.70
Savings Versus Current Plan (in millions) (through 2033, estimated)	n/a	\$361.49	n/a	\$1,090.77	n/a	\$1,452.26	n/a	\$200.10

(a) Includes additional contributions for the KPERS School Group as provided in 2005 HB 2037.

(b) ARC = Actuarially-required contributions. ARC Rate and Date refer to the rate and date when KPERS statutory (actual) contributions will reach the actuarially-required levels.