

Approved: February 5, 2008

Date

MINUTES OF THE SELECT COMMITTEE ON STATE EMPLOYEE PAY PLAN

The meeting was called to order by Chairman Pat George at 12:45 p.m. on January 23, 2008 in Room 531-N of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
Julian Efir, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Cyndie Rexer, Committee Assistant

Conferees appearing before the committee:

Neville B. Kenning, Hay Group, Inc., legislative consultant.

Others attending:

See attached list.

The Chairman George asked for any bill introductions. The Chairman introduced a Resolution that pertains the implementation of the new Pay Plan structure for the State Employees as well as implementation of the Market Salary Adjustments.

Moved by Representative George and seconded by Representative Tafanelli to accept the above as a Committee Resolution.

Motion carried.

Neville B. Kenning reported on the work done by the State Employee Compensation Oversight Commission during the interim. Mr. Kenning presented the following materials for review:

State of Kansas Report of the Work and Outcomes of the State Employee Compensation Oversight Commission dated November 30, 2007, Attachment 1

Proposed Implementation Schedule dated October 11, 2007, Attachment 2

A period of questions and answers followed. Some concerns include the elimination of longevity pay and maxed out employees.

The next meeting is to be announced.

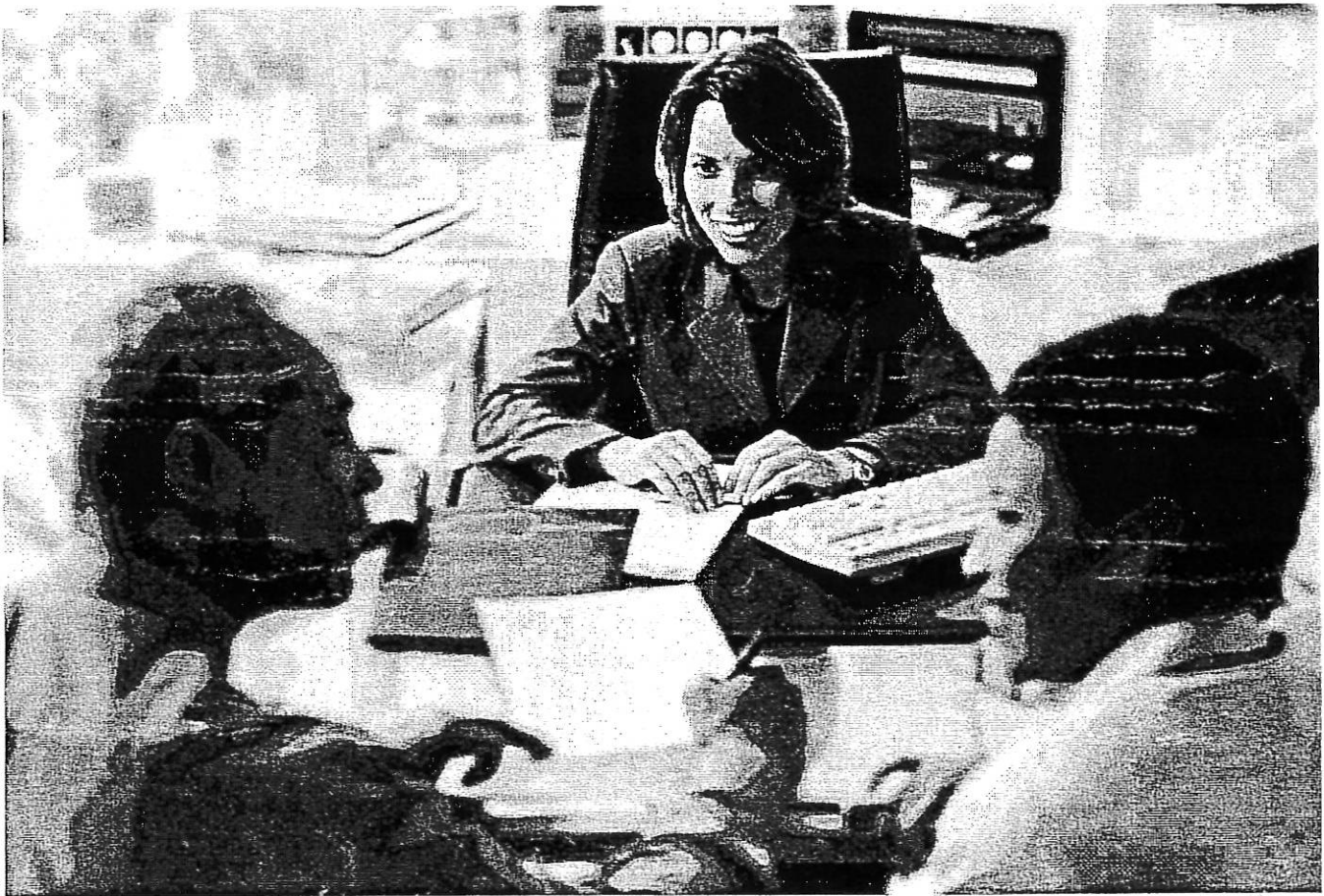
The meeting was adjourned at 1:30 p.m.

November 30, 2007

State of Kansas

Report of the Work and Outcomes of the State
Employee Compensation Oversight Commission

HayGroup®



*Neville Kenning
National Director
State Government Consulting
Practice*



Select Committee On
State Employee Pay Plan
1-23-08
Attachment 1



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1. Background

The role of the State Employee Compensation Oversight Commission, as established by the Legislature in April 2007, was to develop recommendations for a new pay plan for classified employees to be presented to the 2008 Legislature. The genesis of the work of the Commission was a report on an extensive market survey that was conducted for the State by Hay Group in the latter part of 2006. This showed that the level of competitiveness of both pay ranges and actual pay lagged the market. In addition, concern was expressed by both Legislative and Executive Branch leadership of the wisdom of increasing the funding of a classified pay plan that had not been viewed as being effective due to:

- Being a “one size fits all plan;”
- Step increases not being funded;
- Internal equity issues; and
- A significant passage of time since the plan was last reviewed.

The purpose of this report is to summarize the process by which the Commission did its work and to set out the recommendations unanimously adopted by the Commission on October 15, 2007. Further details on the content of this report can be found in the Hay Group presentations made to the Commission dated September 7, 2007 and October 15, 2007.

2. The Commission at Work

The Commission’s first meeting was in May 2007 and it met at regular intervals through October 15, 2007. The members of the Commission are listed in Appendix A. Consulting services were provided to the Commission by Hay Group. The work of the Commission was guided by two key contextual elements: the model of an effective classification and compensation plan, which is set out in Appendix B, and a Compensation Philosophy adopted by the State Employee Pay Philosophy Task Force in June 2007. This is set out in Appendix C.

During the meetings of the Commission in the period June – October 2007, topics discussed included: an understanding of each of the components of the model set out in Appendix B, a definition and understanding of classification and compensation terms; a presentation on the competitiveness of the benefits plans offered by the State and the proposed compensation plan design. In addition, the Commission heard testimony from interested internal parties on compensation issues and a panel of respected business



leaders and human resources and compensation practitioners from private and public sector organizations within Kansas on their business experiences in undergoing major changes in their compensation plans.

3. Recommended Pay Plans

It was highlighted to the Commission on numerous occasions that the State is a complex employer in terms of the wide variety of the nature of work and the types of classifications in the classified service. The compensation philosophy adopted in June 2007 recognized the need for some common fundamental principles such as fairness but allowed for the flexibility to have multiple pay plans. Accordingly, five pay plans were recommended to the Commission.

Management Pay Plan

- Incumbents of the classifications assigned to this plan are involved in managerial functions of planning, leading, organizing, controlling, motivating and innovating. The actual *supervision* of various activities is largely delegated. Results are achieved through being accountable for the efforts of those they manage.
- Classifications assigned to this plan will be limited to exempt, high level managerial positions. It is estimated that 22 classifications currently with 265 employees will be assigned to this plan.
- The pay range will be based on a market target setting out the stated policy position with the range minimum being 85% of the market target and the range maximum being 120% of the market target.
- Pay movement will be solely based on performance and will also take into consideration the incumbent's position in the salary range.
- Ranges will be adjusted on a regular basis and a salary survey should be done not less frequently than every 3 years to ensure ranges are aligned with the market.

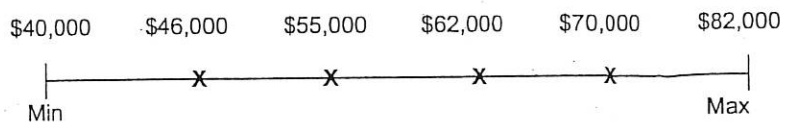
Professional Individual Contributor Pay Plan

- Classifications assigned to this plan are characterized by having the knowledge that requires an understanding of the principles and theories of a professional discipline normally gained through a college curriculum.
- The occupational groups and classifications are also characterized by the high number of PIC's relative to the number of managers in that occupational group. Based on that definition, it is estimated that 133



classifications currently with 2742 employees will be assigned to this plan.

- Pay ranges will be broad banded with market anchors within the bands to reflect different levels of work.
- An illustration of such a banded structure is set out below:



X = Market anchors for different levels of work in the job family

- Pay placement and movement will be determined by assessment against the following criteria:
 - Tenure and experience (it is important to note that the reference to experience must be related to progressive experience, not just time in position);
 - The nature of work being performed;
 - Increased independence of work and judgment exercised;
 - Achievement of pre-determined performance standards;
 - The acquisition and application of further education and training;
 - Demonstration of an increased frequency of undertaking the type and complexity of work associated with the next level in the job family; and
 - Fulfilling a leadership role.
- There will be multiple “plans” within the overall PICPP and it is recommended that Professional Development Committees consisting of representatives of each of the PIC disciplines led by staff from DPS, will provide input on the classification, performance standards and training. These PDC’s will be accountable for reviewing progression requests against the criteria set out above. They will also oversee the professional training and development plans for employees assigned to the plan and for linking training and development to career progression.



Protective Services Pay Plan

- All uniformed officers of the Department of Corrections and Juvenile Justice Authority, troopers of the Kansas Highway Patrol and all classifications that meet the definition of “police officer” or “law enforcement officer” as set out in K.S.A 74-5602 will be assigned to this plan. Based on that definition, it is estimated that 43 classifications currently with 3215 employees will be assigned to this plan.
- Pay ranges will be market based with a target market step. There will be steps on either side of the market target. Movement from entry to market target will be based on the achievement of milestone and certification events such as POST academy. Movement above the market target step will be based on time and performance.
- An illustration of a salary range for a position in this plan is set out below:

| | | | | | | | | | | |
|-------------------------|--------|--------|----|----|----|---------|---------|---------|---------|----|
| Pay Step | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Difference in Steps | | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Timing of Step Movement | 6 mos. | 6 mos. | *1 | *1 | *1 | 12 mos. | 12 mos. | 12 mos. | 12 mos. | |

*1 = To be determined in conjunction with milestones/certifications

- It is recommended that a Committee consisting of leadership of the Agencies in which the classifications assigned to this plan are employed with leadership from DPS, provide input on the administration of the plan.



Basic Vocational Pay Plan

- Classifications assigned to this plan perform structured, routine work which requires basic vocational knowledge and performance can be measured on a pass/fail basis. Based on that definition, it is estimated that 58 classifications currently with 3844 employees will be assigned to this plan.
- Pay ranges will be based on a market target with steps below and above the market target. There will be 9 steps, each 3% apart and movement through the steps below market will be more rapid than for steps above market. The hiring rate will be 88% of market and the range maximum 112% of market.
- An illustration of a salary range for a position in this plan is set out below:

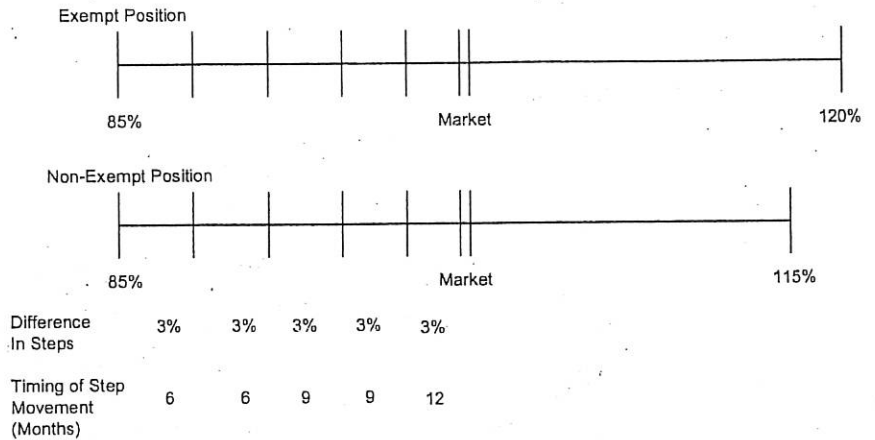
| | | | | | | | | | |
|----------------------------------|---|----|----|----|----|----|----|----|----|
| | ----- ----- ----- ----- ----- ----- ----- ----- ----- | | | | | | | | |
| Pay Step | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Difference in Steps | | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Timing of Step Movement (Months) | | 6 | 6 | 9 | 9 | 12 | 12 | 12 | 12 |

General Classified Pay Plan

- Classifications assigned to this plan will be those that do not fall within the definition and parameters of the other 4 plans. Based on that, it is estimated that 297 classifications currently with 11,920 employees will be assigned to this plan.
- Pay ranges for positions classified as FLSA nonexempt will be based on a market target with the minimum of the range being 85% of market and the maximum of the range being 115% of market.
- Pay ranges for positions classified as FLSA exempt will be based on a market target with the minimum of the range being 85% of market and the maximum of the range being 120% of market.
- The pay ranges will have steps below the market and an open range above the market target.



- An illustration of a salary range for a position in this plan is set out below:



4. Transition to and Implementation of the New Pay Plans

The key to the effective implementation of these plans will require the development and implementation of a State-wide performance management plan. This should be done first. The recommended steps for the development and implementation of a new performance management plan include:

- Formation of a Design Team Task Force;
- Development of the performance management process and documentation;
- Development of training material;
- Identification of trainers and conduct of train-the-trainers;
- Training of managers and supervisors; and
- Roll out of the performance management plan.

It is recommended that this plan be ready for roll out by July 2008.

To achieve the changes required for design and implementation of the new pay plans will require considerable time, resources and effort. Material sent to Commission members on October 11, 2007 from DPS set out comprehensive details on how this will be done on a multi-year basis, starting in July 2008.



During the interim years until full implementation, Hay Group strongly recommends that actions to move classified employees pay closer to market be continued. Funding pay increases in these interim years will significantly enhance the credibility that the State is “serious” about implementing more effective pay plans for classified employees.

In addition, it is strongly recommended that a Commission similar in nature and role to that of the current Commission be continued to provide oversight to the development and implementation of the new plans and the performance management process as well as, upon implementation, ensuring that the plans and processes are being managed and administered in accordance with the State’s compensation philosophy.

5. Summary of Outcomes of the Commission

At its meeting on October 15, 2007, the Commission unanimously passed a motion adopting all recommendations contained in the report to the Commission of the same date.



Appendix A

Commission Members

Carol Foreman, Chairperson, Deputy Secretary of Administration

Representative Pat George, Vice-Chairperson

Senator Laura Kelly

Senator Roger Reitz

Senator Vicki Schmidt

Representative Tom Hawk

Representative Lee Tapanelli

Secretary Jim Garner, Kansas Department of Labor

Patricia Henshall, Director of Personnel, Kansas Judicial Branch

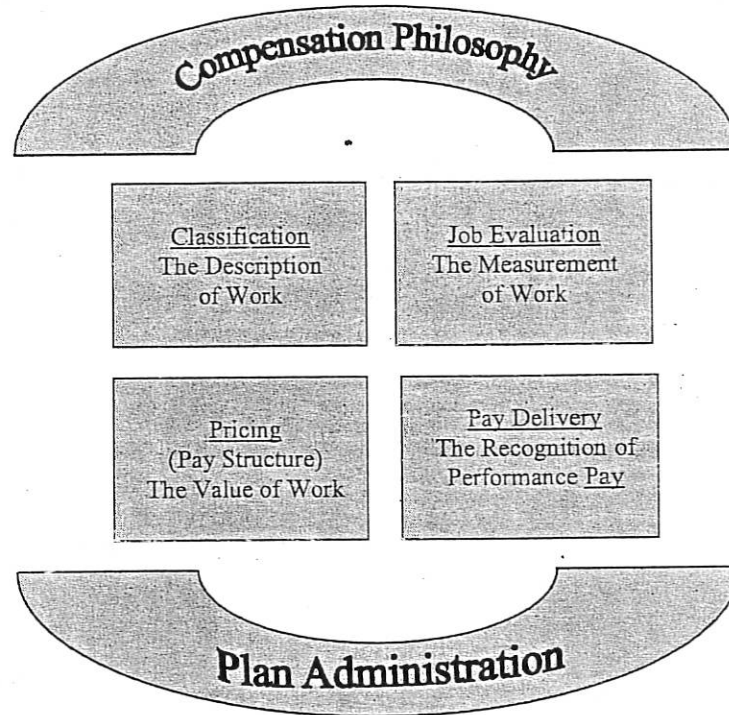
Dr. Richard Lariviere, Prov. & Exec. Vice Chancellor, University of Kansas

George Vega, Director of Personnel Services, Department of Administration



Appendix B

Components of an Effective Classification and Compensation Plan





Appendix C

Compensation Philosophy

Umbrella Statement

The compensation program (compensation and benefits opportunity and delivery) for State employees will be designed to support the mission of the various branches of government and the agencies and departments within those branches. The foundation of the compensation program is to attract and retain quality employees with competitive compensation based on relevant labor markets. The programs will be based upon principles of fairness and equity and will be administered with sound fiscal discipline.

Compensation Philosophy Component Statements

1. The Legislature will be accountable for the adoption of the compensation philosophy and framework. The Executive Branch through delegated authority from the Governor to the Department of Administration will be accountable for the consistent administration of the program for classified employees. Agency Heads will be accountable for proper administration of the program within their Agencies. The Chief Justice, through delegated authority to the Office of Judicial Administration will be accountable for the consistent administration of the program for Judicial Branch employees. The Board of Regents, through delegated authority to the Chief Executive Officer of each campus, will be accountable for the consistent administration of the program for higher education faculty and non-classified employees. The respective appointing authorities will have accountability for the consistent administration of compensation for non-classified employees.
2. The compensation program will be based on consistent principles of fairness throughout the State, yet will be flexible to meet changing needs. This will allow for multiple pay plans to fit different needs and market variables for the different Branches of government and within those Branches.
3. Establishing the value of compensation will be primarily based on establishing the appropriate market value of the job. For positions for which a market value cannot be readily identified, the value of compensation for those positions will be based on a fair, defensible and understandable method.
4. While recognizing that service and tenure yields valued experience, pay delivery mechanisms will be based on a combination of



- achievement of performance objectives, recognition of differences in job content, acquisition and application of further skill and education and pay for the achievement of team/unit or department goals.
5. All aspects of compensation (base salary, benefits, lump sum payments, allowances and other variable elements of compensation) will be considered as a total compensation package for State employees. The State's pay programs will utilize both fixed and variable compensation as well as non-cash reward and recognition programs.
 6. Total compensation, as defined above, will be targeted at a competitive level when compared to the appropriate labor markets to allow the State to attract and retain the quality and quantity of employees needed to fulfill service commitments to its citizens.
 7. The State is committed to ensuring that its salary structures are up to date through the conduct of market surveys at regular intervals. There will be a planned approach to ensure that the classification structure and classification of employees is kept current.
 8. The compensation programs will reinforce a work culture and climate where employees are recognized and rewarded for their contribution. Any changes to compensation must be reasonable and take into consideration the needs of the State as an employer, the work culture afforded to the employees as public service providers and the citizens receiving services from the State.

Attachment III

Proposed Implementation Schedule

| | FY 2009 * | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|--------------------------------------|--|--|--|-------------------------------------|-------------------------------------|
| Group 1 7,758 emp. 152 classes | Preparation & Market Adjustments | Dry Run & Market Adjustments | Implement & Market Adjustments | Maintain | Maintain |
| Group 2 6,833 emp. 256 classes | Market Adjustments | Preparation & Market Adjustments | Dry Run & Market Adjustments | Implement & Market Adjustment | Maintain |
| Group 3 7,395 emp. 145 classes | Market Adjustments | Market Adjustments | Preparation & Market Adjustments | Dry Run & Market Adjustment | Implement & Market Adjustment |

* FY 2009 will also involve the development and presentation of significant educational activities to inform employees, supervisors and managers of the new employee compensation system and address their questions.

Market Adjustments

Recommendations for market adjustments for jobs within any Group will be part of each year's activities. Market alignment among classes varies substantially at this time. It may take several years of providing adjustments to bring some occupations to market while others may be achieved over a much shorter time period. Employees in some classes which are in Group 2 or 3 may receive market adjustments prior to the first year of their 3-year study cycle. It is our intent to bring each class up to market, or as close to market as possible, by the time the class moves to full implementation on the new plan. Once the classes are implemented, annual market studies will be conducted to identify any need for adjustment in order to maintain market alignment.

First Year Activities

The first year of the 3-year cycle will involve preparation. The preparation will include the review and modification of current job classes; reallocation of positions to the proper job class; development of performance criteria; training on new performance standards and evaluations; and additional education for employees and supervisors. Employees will be compensated under the current system during the first year of the 3-year study for their Group.

Second Year Activities

The second year of the 3-year cycle will involve a "dry run." Employees will be evaluated under the revised performance standards and agencies will provide the Division

of Personnel Service with a report detailing the performance evaluation experience; how the agency would have allocated their annual classified employee salary budget; the results of such actions, and proposed changes they believe are needed. Agencies will identify any need for training or changes in the performance review system and make such modifications. Employees will continue to be paid under the new employee compensation system.

Third Year Activities

The third year of the 3-year cycle will involve full implementation for that Group. Employee compensation will be provided on the basis of the new employee compensation system. Jobs within this Group should be aligned with the relevant labor market. State agencies will work with the Division of Personnel Services to identify further modification and actions.

Beyond the Third Year

After jobs are implemented into the new employee compensation system, annual market studies will be conducted to identify any need for adjustments to ensure market alignment. The employee compensation system and the administration of the new system will also be reviewed and evaluated to identify any needs for change.