



STATE PERSONNEL DEPARTMENT
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Mitchell E. Daniels, Jr.
Governor

Daniel L. Hackler
State Personnel Director

September 17, 2010

Adam Horst, Director
State Budget Agency
212 State House
Indianapolis, IN 46204

SUBJECT: Fiscal Years July 1, 2011 through June 30, 2013

Dear Adam:

The State Personnel Department's (SPD) strategy for saving taxpayers' money is to significantly reduce human resource staff throughout the state and service our constituencies through the efficiencies of centralization. In 2008, a budget proposal that supported the objective of centralizing all HR services and benefits administration throughout State government was presented to and approved by the State Legislature. That change revised the method of funding SPD from a 100% General Fund Appropriation to an operating budget consisting of three distinct funds: (1) A reduced General Fund Appropriation was approved to support core HR functions, ensure statutory and policy compliance, and provide administrative support to the agency. (2) The costs associated with benefits administration were to be addressed in the setting of the insurance rates. (3) An internal service fund was created for purposes of funding the direct HR services to centralized agencies. As an internal service fund, revenue is generated by charging a set fee to centralized agencies for each authorized position assigned to that agency.

It is upon the success of this model of funding we propose to continue providing quality direct human resource services to all centralized agencies and administering benefits for all eligible groups while fulfilling our statutory obligations. We welcome this opportunity to share with you our successes over the past year, abbreviated descriptions of our primary programs, how we intend to measure the performance of those programs, and our objectives as well as the challenges that accompany those objectives for the coming biennium.

**** THE VISION ****

Great People ... The Best Service

**** THE MISSION ****

We will employ and retain a proficient, motivated workforce dedicated to public service

**** THE CUSTOMERS ****

The leaders of State Government -- the Governor, other elected officials, agency heads and senior agency executives – as well as state employees and potential employees

**** THE SUCCESSES ****

Our primary effort has been devoted to a strategy we call “centralization.” It entails SPD providing direct human resources (HR) services to an agency without the intermediary of an agency HR department. In a centralized agency, there is typically one or more embedded SPD personnel, but most of the agency’s HR needs are provided by our central office staff. As of September 1, 2010, SPD has partnered with 68 merit, non-merit, and quasi agency business units. Currently, these services are provided by 167 HR professional and staff through SPD. A total of 323 HR positions have been deactivated across state government as a result of this effort, with salaries and fringes totaling \$16.1 million. SPD will partner with the remaining agencies over the course of 2010 to complete our goal, which will result in deactivation of 21 additional positions for an additional \$1.2 million in savings.

Through centralization of HR functions, SPD has enabled agencies to focus their efforts on accomplishing their missions. We will continue to expand the value added human resource services we provide to these agencies while reducing costs and improving efficiency. In particular, our emphasis will be to provide tools to managers to help them develop their employees, set goals and measure results. This will enable us to continue to increase the performance standards so that the important work of state government can be accomplished efficiently.

SPD has made educating our employees about consumer driven health plans (CDHP) a high priority. Utilizing a strong education plan we have been very successful in moving employees

to CDHPs. Today, 71% of State employees have elected CDHPs. As school corporations throughout the State join the health plans, we have continued to focus on education and as a result, 86% of school participants have elected CDHPs at their initial enrollment.

**** THE PROGRAMS ****

1 - Position Allocation & Classification Plan

Pursuant to statute, the State Personnel Department (SPD) is tasked with formulating, establishing and administering position classification plans. Specifically, the SPD's focus is to strategically partner with agency leadership to maximize the use of human resources within state government through the development of creative solutions to address classification and organizational development issues. Additionally, the agency has responsibility for maintaining classification specifications, conducting job analysis, determining the Fair Labor Standards Act (FLSA) status pursuant to USDOL regulations, and position evaluations.

- **Program Objective: Establish and administer the position classification plan for state government.**
- **Program Measure: Vacancy rate – Percentage of vacant full-time.**
 - *Measure formula: Vacant full-time positions/All full-time positions*
 - *Success defined: Green ≤8%, Yellow 9-12%, Red ≥13%*

2 - Pay Plan Administration

The State Personnel Department is statutorily required to establish and administer salary and wage schedules, subject to the approval of the Governor and State Budget Agency. Specifically, SPD has responsibility for conducting market pay surveys in order to compare state government salaries to private sector salaries. Additionally, the agency has regulatory responsibility in the administration of the state's compensation system to ensure that pay is fair and equitable for all categories and classifications of employees.

- **Program Objective: Develop and maintain pay plan for state government.**
- **Program Measure: Market penetration - The range of salary disparity between market pay and state pay for targeted classifications.**
 - *Measure formula: state pay/market pay*
 - *Success defined: Green ≥90%, Yellow 86-89%, Red ≤85%*

3 - Employee Benefits Administration

The Benefits Division develops, implements, and manages various employee benefit programs for state employees and their families. Health policy and plan design together with new program development and implementation have been a primary focus of the Benefits Division. This division serves as the procurement agent for all employee insurance benefit products and services for eligible employees of the state of Indiana and participating school corporations. It is responsible for the development of the Request for Proposals, evaluation, selection and contracting processes. In addition, the Division procures and manages a Pharmacy Benefit Manager for the Indiana Aggregate Prescription Purchasing Program (IAPPP) which includes State Universities, local units of government and the Indiana Comprehensive Health Insurance Association (ICHIA).

The Benefits Division currently manages health insurance contractual relationships offering two Consumer Driven Health Plans and one Traditional Plan, one Health Maintenance Organization, a bank offering health savings accounts, one dental company, one vision company, one life insurance company, and a flexible spending account administrator. It also manages an Employee Assistance Program for active employees and members of their household and a Third Party Administrator relationship for Disability and Worker's Compensation.

- **Program Objective: Provide a competitive benefit package to the State workforce.**
- **Program Measure: Consumer Driven Health Plan migration - Percentage of state employees selecting CDHP.**
 - *Measure formula: CDHP enrollment/All benefit elected participants*
 - *Success defined: Green ≥75%, Yellow 51-74%, Red ≤50%*

4 - Recruitment and Selection

This program functions as a centralized resource for attracting, recruiting and acquiring talent for Indiana State Government through cost effective resources and methods. Within this effort, the state of Indiana strives to develop qualified, diverse, applicant pools by utilizing previously untapped labor pools, technological advances, and targeted markets.

The Employment Division, which manages the all aspects of the Recruitment and Selection program, serves as the primary recruiter for centralized state agencies and recruitment consultants for field and non-centralized agencies. Services provided to centralized agencies include creating the job vacancy announcement, interview coordination and consultation,

advertising via niche recruitment venues, networking, ensuring that state regulatory responsibilities are followed by evaluating applications, creating certified lists, and completing criminal background screening. Services provided for non-centralized agencies include specialty recruitment, executive searches, e-recruitment on Internet Job Boards, and networking with professional organizations, colleges, and universities.

For current and future state employees, the division offers employment educational sessions to assist jobseekers in understanding the employment process, the minimum qualifications, and ways to maximize the effectiveness of a search for employment with Indiana State Government. The division ensures Indiana State Government's continued ability to attract, employ, and maintain a workforce capable of meeting the vital and changing needs of the citizens of Indiana.

This program also provides mandatory Equal Employment Opportunity (EEO) compliance reports to the Federal Department of Labor. Staff members supporting this program administer and monitor the Equal Opportunity, Affirmative Action local programs for each centralized agency. The goals of the EEO section are to support and enhance the State of Indiana's commitment to diversity and non-discrimination in all its programs, services, and activities.

- **Program Objective: Timely provide a ready, competent, and capable workforce.**
- **Program Measure: Days to fill vacancy.**
 - *Measure formula: Days to fill – Average days to fill full-time vacancies*
 - *Success defined: Green ≤38 days, Yellow 39-44 days, Red ≥45 days*

5 - Policy Administration and Compliance

The Employee Relations Division provides comprehensive services to agencies covering a full range of employee relations issues including consultation and advice to agencies on interpretation and situation-specific application of all standardized policies and state / federal employment laws, including individual employee performance and/or behavioral situations and participation in pre-deprivation proceedings.

The division is responsible for implementing the statutory and regulatory process for retention scoring in layoffs from state merit employment due to budgetary constraints, governmental reorganizations, closures of facilities/offices, and competitive sourcing opportunities. This process includes calculating retention scores, issuing notices, and maintaining recall data. Division staff also assists non-merit agencies to comply with requirements and notices related to governmental reorganizations, layoffs, and priority consideration.

Division staff determines appropriateness of requests, issues notices for family-medical leave (FML), and informs agencies and employees about interpretation and situation-specific application of the FMLA and its federal regulations plus the interaction of various state laws and policies on leaves of absence.

Staff serves as liaison among employees, agencies, PERF, and Auditor's Office to process differential pay and pension catch-ups for state employees on military deployments / activations.

The division provides resources and expertise needed to meet the requirements of the Americans with Disabilities Act (ADA) including assistance in identifying reasonable accommodations for employees to perform the essential functions of their jobs and guidance on interactive discussions for reasonable accommodations.

Division staff continues to be the driving force in the performance management and pay-for-performance processes in advising agencies on methods of integrating performance management concepts into daily operations.

Division staff serves as internal consultants providing insight and guidance during the development of statewide policies and procedures. The division also reviews potential closures of state facilities or offices due to emergency conditions, and staff serves as the main contact for Department of Homeland Security with regard to SPD's Continuity of Operations Plan.

Training programs are conducted for supervisors / managers on laws, rules, and policies concerning workplace harassment and other administrative investigations, FML, performance management, personnel rules, progressive discipline, ADA, and comprehensive employee relations topics on both regular and as-needed bases.

Division staff negotiates and monitors compliance for a contract with third party administrator to conduct drug/alcohol testing in accordance with federal law for state employees required to obtain and maintain commercial driver license.

- **Program Objective: Maintain legal compliance.**
- **Program Measure: Survey analysis - Value of survey results.**
 - *Measure formula: Value of survey results*
 - *Success defined: Green ≥85%, Yellow 70-84%, Red ≤69%*

6 - Delivery of Centralized HR Services

In 2005, State Personnel implemented a shared service model to streamline human resources services in state government by centralizing transactions and increasing the level of professionalism of HR practitioners, which includes embedded SPD staff in the centralized agencies who serve as strategic partners with agency executives. These staff members facilitate the exchange of information between the agency and State Personnel in order to deliver HR services and provide SPD with agency-specific information that improves the quality of decision-making on issues with statewide impact. Large agencies such as the Department of Transportation, Department of Correction and Department of Environmental Management have been able to reduce duplication and redirect resources that were formerly used to provide HR support services to program areas providing line services to Indiana's citizens. Small agencies such as the Commission on Public Records and Office of the Inspector General have gained an experienced HR staff and a strategic partner where HR services were previously provided by clerical support staff prior to centralization. Small agency HR staff have collaborated to identify best practices in various agencies, which has led to the application of those practices for the benefit of all the agencies serviced. SPD staff brings a wealth of experience and knowledge to the professional practice of HR on behalf of state agencies. This expertise is a key reason all state agencies can benefit from centralized HR services.

- **Program Objective: Improve the delivery of HR Services.**
- **Program Measure: Survey analysis - Value of survey results.**
 - *Measure formula: Value of survey results*
 - *Success defined: Green ≥85%, Yellow 70-84%, Red ≤69%*

7 - Information Technology - PeopleSoft HR and HR Data

The Human Resource Data Division processes all employee transactions for centralized agencies and provides technical and back office support to non-centralized agency entries into PeopleSoft HR. The division maintains the personnel files of all executive branch employees and ensures that historical preservation is consistent with current retention and archival policies. The division also performs certification of creditable service and wage history for the Public Employees Retirement Fund (PERF). This division also provides employment verification for internal and external customers.

The Human Resource Management System (HRMS) Division provides operational control over the Government Management Information System (GMIS) personnel allocated to support the Human Resources PeopleSoft Application. The HRMS/GMIS partnership continues to leverage

technology that provides desktop business solutions to employees, via self-service transactions, and line-managers by utilization of self-service, approval and workflow technologies.

The HRMS division will continue the delivery of real-time, value driven services for desktop users in the 2011 and 2012 calendar years. Several projects, including a systems upgrade, are scheduled for implementation that will allow HR personnel to dedicate valuable time towards strategic planning and business renovation assistance, while providing line-managers solutions that will ensure their workforce is aligned properly. Line-managers will be able to ensure their employees possess the correct talent mixture needed to meet organizational goals and objectives.

- **Program Objective: Improve accuracy, availability, and timeliness of personnel information.**
- **Program Measure: Timeliness - Average updating of all personnel transactions within PeopleSoft HR.**
 - *Measure formula: Average days to enter employee records*
 - *Success defined: Green ≤ 2 days, Yellow 3-4 days, Red ≥ 5 days*

8 - Centralized Benefits Membership Administration (Call Center)

The Benefits Division provides services to centralized agencies and participating school corporations. The Division is responsible for educating employees and addressing questions about the benefits package. In addition, Benefit Specialists process family status changes, resolve claim issues with the vendors, and advise agencies and employees on a variety of items pertaining to employee benefits including federal regulations, Indiana code, policies, and processes.

- **Program Objective: Provide timely, helpful assistance to benefit plan participants.**
- **Program Measure: Timeliness - Average time to answer incoming customer calls.**
 - *Measure formula: Average seconds taken to answer incoming calls*
 - *Success defined: Green ≤ 10 seconds, Yellow 11-19 seconds, Red ≥ 20 seconds*

9 - Investigations and Advocacy

Investigations and written responses required for step four of the statutory merit employee complaint procedure are conducted by staff in the Employee Relations Division who may also investigate and/or review investigations of others concerning allegations against state employees for discrimination and harassment in violation of Title VII and other civil rights

laws and/or allegations of employee / manager misconduct. The division resolves complaints concerning workplace harassment and discrimination, disciplinary actions, and other conditions of employment through its investigations while facilitating discussions with management, employees, and employee representatives.

Staff serves as advocates for state agencies in administrative adjudicatory proceedings before the State Employees Appeals Commission (merit employee complaint procedure and appeal procedure under executive order for non-merit employees) and DWD/UI Division (unemployment insurance disputes). Advocacy includes fact-finding, witness preparation, skillful presentation and negotiation strategies all planned with an understanding of the agency's overall mission and operations and the effect of various outcomes on the agency named as a party as well as the potential impact on the State as a whole.

Staff are also charged to investigate and draft official position statements outlining the State's position on the facts and law in charges of discrimination or harassment brought by state employees to the EEOC or the Indiana Civil Rights Commission and participate in mediation and settlement discussions.

Inquiries to the Department and Governor from employees, members of the public, legislative representatives, and other states concerning individual issues and general policies are frequently referred to division staff for investigation and response.

- **Program Objective: Minimize impact of employee misconduct.**
- **Program Measure: Survey analysis – Value of survey results.**
 - *Measure formula: Value of survey results*
 - *Success defined: Green ≥85%, Yellow 70-84%, Red ≤69%*

10 - School Corporations Insurance

(IC 5-10-8-6.7) School corporations are eligible to join the State of Indiana's health plan offerings. Interested school corporations contact the Benefits Division Director and/or Benefits Manager, who assist them in the educational process. The school corporation insurance program carries a three-year commitment, and schools wishing to join the State's plan may do so at any point during the plan year. School corporations coming onto the plan mid-year will have an initial enrollment session. From that date forward, school corporations Open Enrollment periods will mirror that of the State. School corporations have flexibility with regard to the employer/employee premium split, however, they may not contribute more toward their employees' coverage than the State of Indiana does for its employees. They may also choose to offer a Health Savings Account to their employees, and may choose any financial

institution they wish as the State does not direct them to its designated institution. Post-enrollment, the designated school corporation benefit administrator works closely with the Benefits Division Director and/or Manager, and the school corporation employees utilize the Benefits Hotline for benefit related issues.

- **Program Objective: Facilitate school corporations' enrollment in the state health plans.**
- **Program Measure: Participation - Total number of school corporations participating in state plans.**
 - *Measure formula: Number of school corp. participating*
 - *Success defined: Increase participation by 10 school corporations by December 2011*

11 - Early Retiree Insurance

(IC 5-10-8-8) *The Early Retiree Insurance Program is available to qualified retiring employees and allows the continuation of the State's health insurance. A qualified retiring employee may choose to participate in this group plan by submitting an application provided by the State Personnel Department within ninety (90) days after the date of retirement. Qualified retirees may continue benefits on this program until Medicare eligibility by paying 100% of the premiums for this coverage.*

- **Program Objective: Provide health, dental and vision insurance to retirees that are not Medicare eligible.**
- **Program Measure: Participation Rate - Percentage of eligible retirees that elect early retiree insurance.**
 - *Measure formula: Insurance participants ÷ eligible retirees*
 - *Success defined: Green >50, Yellow 49-26, Red <25*

12 - Communications

This division has become recognized as the central point for gathering and distributing information for employee communications statewide; about 65% of our time is spent on internal communications. External communications, including social media, news media and COOP, account for about 15% of our efforts. Overseeing special events takes about 20% of our time. Our communications efforts include e-mail alerts, monthly newsletters to all state employees, newsletters to targeted audiences, responding to Webmail and correspondence; maintaining SPD's Web pages, which involves creating new content, writing HTML code and nearly daily updates. We develop communications plans for open enrollment campaigns, new

policies and procedures, any changes in benefits options and other issues as needed. This division serves as spokesperson for the agency and the PIO during COOP events.

Today's communication efforts are primarily electronic through the department's Web pages, e-mail or social media. Newsletters are no longer printed, but sent electronically and housed online. Through the in.gov delivery program, SPD's Web site now allows interested persons to subscribe to receive notification of updates to certain Web pages. Targeted communications are often sent from this division to employees working in the metro area, notifying them of traffic alerts or events that might impact their getting to and from work.

This division is responsible for creating and updating an information-rich Web site which contains benefit information, HR policies and procedures, job searches, training opportunities and employee programs and discounts. The Employee Benefits page now has its own subsite which provides even more information on specific benefits. There are added related links to pages, definitions, comparisons, tools, and suggestions on how to select benefits best suited to an individual's or family's needs.

Staff creates billboards for display in the Government Center tunnels, flyers, brochures, billboards, and programs for special events or new programs rolled out by the department. The division has also designed, administered and evaluated surveys for not only various divisions within State Personnel, but also for several other state agencies.

- **Program Objective: Provide important information to state employees or constituents in a timely, efficient manner.**
- **Program Measure: Timeliness - Average days taken to respond to employee/constituents requests.**
 - *Measure formula: Average days to respond*
 - *Success defined: Green ≤ 3 days, Yellow 4 days, Red ≥ 5 days*

13 - Strategic Hiring Program

The institution of the Strategic Hiring Committee (SHC) to manage and review all position and hiring requests in state agencies has resulted in an executive branch headcount that is lower than in 1975. The SHC inspired many agencies to implement their own internal versions for an initial assessment of the need for additional or replacement staff, and together these committees have significantly addressed the proper allocation of staff needed to perform essential services.

- **Program Objective: Manage all position and hiring requests for executive branch agencies.**

14 - Onboarding

Through our Onboarding program, the Training Division conducts a comprehensive orientation experience for new employees of centralized agencies. Employees receive information regarding employee benefit programs as well as an introduction to state government's high-performance culture. The Onboarding program will expand this biennium to include regional offerings that enable agencies with statewide operations to provide orientation information more locally in facilities that accommodate employees from several agencies at one time.

The increase in computer-based training and other technologies reduces travel time and expenses as well as providing the flexibility that agencies and employees need to have training delivered in alternative formats, locations, and time frames to meet operational and educational needs.

- **Program Objective: Provide a consistent introduction and overview of State government.**
- **Program Measure: Participation Rate - Percentage of new hires attending Onboarding.**
 - *Measure formula: Onboarding new hires ÷ all new hires (FTE)*
 - *Success defined: Green ≥85%, Yellow 75-84%, Red ≤ 74*

15 - Special Events

The Communications Division coordinates the state's special events: the State Employees' Community Campaign, Governor's Summer Internship, Employee Suggestion, Employee Discount, and other morale-boosting programs.

There are also programs the Communications Division is responsible for planning and coordinating on the Government Center campus: bi-monthly blood drives, lunch and learn programs that align with INShape Indiana's program for healthier living, Paddle Battle, annual flu shot clinic, and education fairs.

Staff also plans and administers the receptions for both the Governor's Long-Term Employee Recognition and the Governor's Public Service Achievement Awards.

- **Program Objective:** Encourage and reward successful, performance-driven employees.
- **Program Measure: Participation Rate - Percentage of nominations reflecting the mission of the administration.**
 - *Measure formula: Number of eligible nominations ÷ number of nominations received*
 - *Success defined: Green ≥85%, Yellow 75-84%, Red ≤ 74*

16 - Internship Program

This program employs approximately 250 college students during the summer months as professional level workers. Applications are received exclusively from in-state university students, are evaluated by recruitment, and are ultimately selected by a committee. The internship program provides the state with direct access to colleges and universities that are preparing the current and next generation workforce. These students offer a keen look at emerging technologies, latest industry best practices, and relevant changes to workforce components.

- **Program Objective:** Introduce prospective college graduates to public sector employment.
- **Program Measure: Survey Analysis -Value of survey results.**
 - *Measure formula: Value of survey results taken from managers and interns*
 - *Success defined: Green ≤ 2.5, Yellow 2.6 - 3.9, Red ≥4*

17 - Non-Tobacco Use Incentive

Employees who elect to participate in the Non-Tobacco Use Agreement (NTUA) receive a reduction in their bi-weekly medical premium by agreeing to remain tobacco free. During the plan year, employees may elect to change their tobacco status from a non-tobacco user by rescinding their agreement through PeopleSoft. As part of the rescission process, the employee must agree to pay back the \$10 incentive from the beginning of the year.

SPD's Employee Relations Division ensures employee compliance with the NTUA by conducting random testing statewide of state employees for nicotine and sharing that information with SPD's Benefits Division for implementation of sanctions under the State's health care plans. Staff also provides guidance and consultation to agency management regarding disciplinary actions for violations of the NTUA.

- **Program Objective: Support health care plan.**

- **Program Measure: Compliance Rate - Percentage of employees tested that have positive test results.**
 - *Measure formula: Positive test results ÷ Tested employees*
 - *Success defined: Green < 3%, Yellow 3 - 8%, Red > 8%*

18 - Instructor-Led Training

Conduct weekly class each Monday during Onboarding as well as quarterly classroom training when needed. SPD Training personnel develop, administer, and facilitate this training. This can require travel to off-site locations on occasion.

- **Program Objective: Deliver relevant learning opportunities to the workforce.**
- **Program Measure: Participation Rate - Percentage of employees attending training.**
 - *Measure formula: Training Attendees ÷ Total training seats available*
 - *Success defined: Success defined: Green ≥90%, Yellow 80-89%, Red ≤ 79%*

19 - Retiree Flexible Spending Program

(31 IAC 4-4-2) The Retiree Flexible Spending Program extends compensation to include accrued but unused and uncompensated vacation leave in excess of the two hundred twenty-five (225) vacation hours as well as sick and/or personal leave. Calculation of benefits under this program is based on leave hours available after the employee's final paycheck has been issued. The program permits eligible employees to receive a portion of accrued but unused and uncompensated leave.

- **Program Objective: Compensate retired employees for unused leave at the time of retirement.**
- **Program Measure: According to Statute.**
 - *Measure formula: Total timely payments to retirees from previous calendar year*
 - *Success defined: Green 100% paid in January, Yellow any payments in February, Red payments post February*

20 - Insurance Availability for Local Units of Government

The State Personnel Department extends State employee health plans to local units of government. The local unit plan designs mirror the State employee plans, but they are fully insured and rated separately from the State. Local units of government must provide data for separate premium determination and agree to participate for one year. Options available to the

local units include health, dental, vision with no other vendor products allowed for the same type coverage. Local units have the option to renew participation each year.

- **Program Objective:** Facilitate the aggregate purchasing of health, dental, and vision insurance for local units of government (LUG).
- **Program Measure: Participation Rate - Percentage of LUG's purchasing State medical plans.**
 - Measure formula: LUG's participating in plans ÷ Total LUG's
 - Success defined: TBD

21 - Medicare Complement Program

The State of Indiana extends the availability of the Medicare Complementary program to its retirees and spouses. Applicants must be at least age 65, receive pension benefits, be enrolled in Medicare Parts A and B, and not be covered through another similar insurance program. Participation is also allowed if pension benefits and enrollment in Medicare Parts A and B are a result of a disability. The program includes coverage with and without prescription drug benefits.

- **Program Objective:** Provide health insurance to Medicare eligible retirees' that complements their Medicare benefits.
- **Program Measure: Participation Rate - Total eligible retirees participating in complement plan.**
 - Measure formula: Total participants
 - Success defined: TBD

22 - Employee Suggestion Program

We are requesting that the Employee Suggestion Program, which has produced one documented savings of \$7,449 in 10 years, be deleted and the Governor's Public Service Achievement Awards program becomes the focus of improvements to State government operations and efficiencies. This new program, in existence for five years, has resulted in a one-time savings to the State of more than \$65 million, with an additional \$35 million in annual savings. To replace the Employee Suggestion Program will require legislative action, but we believe the comparison of the two programs shows a need to retire the Employee Suggestion Program.

- **Program Objective:** Reward employees for providing relevant, cost saving and efficient solutions for public sector duties, tasks, and/or objectives.

- **Program Measure: Award Rate - Percentage of awards granted.**
 - *Measure formula: Suggestions awarded ÷ total suggestions submitted*
 - *Success defined: Green ≥20%, Yellow 6-19%, Red ≤5%*

**** THE ACCOMPLISHMENTS ****

Centralization of HR Services

In the first half of 2005, we determined that the duplication of HR services being provided statewide was resulting in significant inefficiencies and inconsistent adherence to policies and best practices. The initial research showed annual personal service costs of statewide HR staff of approximately \$25 million. Since that time, SPD has made significant progress in implementing its strategy to centralize human resource services. SPD is now directly providing integrated human resource services to approximately 68 Executive Branch and Quasi agencies. HR services in these agencies are now being performed by SPD staff, some of whom are embedded in the agency location as information conduits and partners implementing the host agency's strategic plans. The transactional duties are performed by SPD employees in the service center of IGC-S W161. This integration of HR services ensures more consistent application of State Personnel policy and state and federal employment laws while reducing costs and improving efficiency.

Examples of the effectiveness of the shared services model in FY09/10 include:

- ◆ Facilitation of staffing changes required for major projects such as reorganizations of the fiscal/financial divisions of DCS and ISDH to take advantage of technological advancements as well as staffing initiatives in numerous other agencies resulting in cost savings.
- ◆ Partnership between DOC and Indiana War Memorials Commission to use offenders to perform maintenance on memorial grounds and buildings which reduced headcount at IWMC and resulted in cost savings.
- ◆ Designed cross-training plan in the highway technician program to increase number of staff with construction inspection skills thereby reducing costs.
- ◆ Development of staffing and scheduling plans for the child abuse reporting hotline.

- ◆ Organizational design services and application of merit rules enabling DOC to reallocate staff among various facilities to address the changing demographics of Indiana's prison population.
- ◆ Shepherding DOC through the layoff process required to reduce costs and shift the focus of adult offender education through a partnership with IVY Tech.
- ◆ Coordination of the Hoosier Youth Conservation Corp. (HYCC) stimulus program through the combined efforts of SPD staff assigned to DNR, DWD, and INDOT.
- ◆ Implementation of consistent Onboarding curriculum for state employees addressing commonalities such as enrollment for insurance and pension benefits, mandatory training on preventing sexual harassment, and the expectations of the State's high performance culture.

Employee Benefits

Since 2008, the Benefits Division has worked with Mercer Consulting to procure best in class vendors for medical and pharmacy services for the three self funded health plans. In addition, the three plan designs were realigned to offer more symmetry and encourage consumerism among all participants. We have begun offering our health plans to school corporations throughout the State and have continued to improve our employee communications and streamline benefit administration processes. As a result, the Benefits Division can report the following accomplishments:

- ◆ Negotiated a new contract with Anthem that features aggressive performance guarantees including in-network discounts, in-network access, care management to maintain 0% growth in the top five disease states, and case management engagement of at least 75% for claims exceeding \$100,000. In calendar year 2009, health care claim costs were approximately \$260 million.
- ◆ Negotiated a contract with Medco to provide pharmacy benefit management services. In calendar year 2009, prescription drug costs were approximately \$47 million.
- ◆ Completed an audit of our medical claims processed by Anthem.

- ◆ As of 9/1/10, added seven school corporations to the State's health plans. Mercer estimated savings for the first five corporations that joined to be \$3.5 million or 41% compared to the 2010 forecast prior to joining the State plans.
- ◆ Increased participation in the Consumer Driven Health plans from 36% in 2008 to 71% in 2010. Mercer estimates employee migration to the CDHPs will save the State \$17-23 million in 2010.
- ◆ Provided direct benefit administration to 94% of the employees eligible for benefits.
- ◆ Created and now maintain a Benefits Web site that allows employees easier access to information about health benefits.

Technological Improvements in Delivery of Training Services

The push to use computer-based training (CBT) and other technologies has expanded the reach of our programs to more employees, supervisors, and managers throughout the State while decreasing expenses related to travel for both participants and instructors. Online offerings in addition to those provided by the Office of Inspector General/Ethics Commission and Indiana Office of Technology include Preventing Sexual Harassment, Personnel Rules and Policies, Performance Management, Progressive Discipline, Family-Medical Leave, ADA, and a Supervisor's Reference Manual. Individual employees or supervisors can register for training and agencies can register groups so that the training is available for those employees and supervisors whenever they need to navigate each course. This enables employees to address their own developmental needs as well as providing agencies with a mechanism to provide timely training to address specific deficiencies or to develop additional skills or competencies as determined through performance management. ISDH has been working on an e-Development plan to address this training effort as part of the planned upgrade in PeopleSoft®.

Reductions in Staffing Levels

The institution of a Strategic Hiring Committee (SHC) to review all requests to fill vacancies in state agencies has resulted in an executive branch headcount that is lower than in 1975. The SHC inspired many agencies to implement their own internal versions for an initial assessment of the need for additional or replacement staff, and together these committees have significantly addressed the proper allocation of staff needed to perform essential services.

In support of continuing efforts by all state agencies to improve delivery of services through streamlined processes and more effective allocation of resources, SPD assisted agencies to meet their efficiency and budgetary goals through the merit employee layoff procedure.

Strategic Utilization of PeopleSoft HR

Over the past several years the PeopleSoft HR and Enterprise Learning Management (ELM) systems have evolved into a strategic force multiplier. In today's environment of limited funds, enterprise applications can leverage best practice business processes against scarce human resources. SPD has been able to deliver consistent HR services while decreasing the total HR staff from over 400 to less than 200 employees in large part due to the continual development of PeopleSoft. SPD has had great advances in delivering an HRIS system that provides real-time information and access to Line Managers and HR support staff alike. Major milestones include:

- ◆ Electronic Reporting Capabilities for all Business Units - State Personnel no longer produces monthly paper reports. These reports are created and maintained digitally. Agencies have the capability to print reports as needed.
- ◆ Manager Self-Service - Managers can view real-time information on direct reports, including: Personal Information, Compensation History, and Job Information.
- ◆ Employee Self-Service - Employees can manage their personal information by updating phone numbers and home addresses.
- ◆ Automatic Inactivation of Vacant Positions - In coordination with the Governor's Office and the State Budget Agency, the HRMS/GMIS team automated a position inactivation process to manage the ratio of full-time vacant positions to the full-time active employee population.
- ◆ Creation of an electronic submission, review, approval, and tracking module in conjunction with the Strategic Hiring Committee's position allocation management project. To date this online tool has accepted over 8,000 requests.
- ◆ Completed a system upgrade of the PeopleSoft Enterprise Learning Management system. This upgrade delivered tighter integration between PeopleSoft HR and ELM. Also, Employees and Managers can view an extensive library of available computer

based training courses, enroll or request enrollment, and complete courses from the convenience of their local workstation.

Streamlined the Compensation/Classification System

In order to address the limitations of the State of Indiana classification system and pay plan, the Compensation Division did the following:

- ◆ In conjunction with several state agencies (INDOT, FSSA, DOC, Adjutant General), the Division updated benchmarks and job titles in order to more accurately reflect the nature of the jobs.
- ◆ Continued the elimination of unused job classifications and consolidated redundant classifications.
- ◆ Began auditing all exempt PAT 3 and PAT 4 level classifications to ensure compliance with the Fair Labor Standards Act.
- ◆ In conjunction with the Governor's Office and the State Budget Agency, implemented an electronic approval process for all Strategic Hiring requests and compensation/classification requests.
- ◆ Through the implementation of centralization, the classification/compensation determination process has become more efficient because it has removed a layer of management (i.e., agency HR support functions) in those agencies that have been centralized. Agency classification/compensation requests for centralized agencies are now reviewed and processed by embedded compensation consultants that have the same authority as the consultants that are housed in SPD central office. This process has eliminated the need for SPD consultants to review the request submitted by the agency, thus reducing the overall processing time of the request.
- ◆ Completed a Fair Labor Standards Act review of all non-supervisory professional level classifications for the Department of Education in order to ensure compliance with federal law.
- ◆ Worked in conjunction with FSSA to develop an overtime policy to manage mandatory overtime for cross classifications.

- ◆ Assisted DOC with the implementation of the Facility Forward project by managing the allocation of positions at each of the facilities.
- ◆ Worked with several state agencies to implement cost saving strategies through organizational design changes.
- ◆ In support of the Young Hoosier Conservation Corp, worked with DWD and DNR to establish the new classifications and positions.

Improved Communications Efforts

- ◆ Issue e-mail alerts and updates as needed so that employees receive important and timely information that may impact their workday.
- ◆ Ceased printing *The Torch*, saving approximately \$15,000 in printing and mailing expenses. Newsletters are now delivered electronically.
- ◆ Offered a free, subscription-based option for employees who want to receive notice whenever an SPD Web page is updated.

**** THE OBJECTIVES ****

SPD has made significant improvements in the provision of integrated human resource services to state agencies. Yet, we still have much work ahead in order to truly transform the executive branch of state government into an energized, high-performance organization. Our objectives for 2011-2013 are:

- ◆ Continue to encourage and assist school corporations to participate in the State health plans.
- ◆ Create benefit administrative processes that service both State employees and school corporation employees.
- ◆ Continue to drive participation in the Consumer Driven Health Plans and encourage consumerism among our plan participants.

- ◆ Continue to support agencies' efforts to become more efficient within the statutory and regulatory framework of state employment by providing expertise to properly manage organizational structures and supervisory spans of control, develop cross-agency partnerships, and establish metrics for managerial accountability requiring effective use of resources.
- ◆ Refine the statewide administration of the laws and policies for family-medical and military leaves as additional efficiencies are identified through the assignment of this function to more specialized staff than were available prior to HR centralization.
- ◆ Complete a system wide upgrade of PeopleSoft HR by June 2011. This upgrade will deliver increased self-service HR transactions, an electronic performance appraisal system, and continued best practices enhancement in the recruiting/talent acquisition module.
- ◆ In partnership with the State Budget Agency, develop and implement a plan to bring state employee salaries more in line with market pay.
 - Develop a statewide compensation philosophy that supports Governor Daniels' goals and objectives.
 - Continue the process of consolidating classifications. The reduction of classifications will ease the transition to future compensation system changes.
 - Utilize the salary surveys that SPD purchases annually to analyze market data for benchmark jobs in order to determine how our existing salary ranges compare to market.
- ◆ Continue execution and awareness of alternative delivery methods for a management development program which is available to all managers and senior managers in state government as a series of courses through which managers would progress to increasingly develop their skills.
- ◆ The Communications Division will:
 - Develop and implement use of social networks to communicate to employees and prospective employees in an effort to enhance the agency's outreach.

- Partner with INShape Indiana to promote wellness and encourage employees to adopt healthy lifestyles.
- Create and distribute e-newsletter with HRMS updates and upgrades.

**** THE KEY PERFORMANCE INDICATORS ****

The Key Performance Indicators (KPI) for the Indiana State Personnel Department are as follows:

STATE PERSONNEL DEPARTMENT KEY PERFORMANCE INDICATORS

KPI	Definition	Red	Yellow	Green
* HR Centralization Rate	% of Executive Branch employees served by SPD	<80	81-99	100
*CDHP Participation Rate	% of employees selecting CDHP over Traditional Plan	≤50	50-74	≥75
Turnover Rate	State wide turnover percentages	>15	10-15	<10
* Workforce Planning	% of positions available/total workforce position allocation	>12	8-12	<8

**** THE CHALLENGES ****

Cumbersome Statutory Process for Reductions in Force

Current statutory (IC 4-15-2-32) and regulatory (31 IAC 2-12-5) obligations require SPD to determine the order of layoffs in state merit service in accordance with strict criteria related to length of state service, length of time spent in particular classifications and other factors that must be applied on a per classification/per agency/per county basis. The current process provides no discretion to management to assess the actual knowledge, skills, and abilities (KSAs) of individual employees and make decisions about the organization based upon each employee’s actual contributions to achieving the Agency’s mission. The current requirements involve a mechanical, mathematic process only, which assumes that all employees in the same classification assigned to the same agency would be equally competent to perform all of the duties of that classification. The myriad programs administered by state government require extensive specialization in KSAs that contradicts this assumption which underlies the current layoff system. The complex formula is confusing to employees who often challenge the retention scores, which increases the uncertainty and fear surrounding reductions in force (RIF), making the process even more detrimental to morale and productivity than is inherent in any RIF. Rights of employees to recall and priority consideration hamstring managers for up

to two years after a layoff is implemented and allow multiple opportunities for laid-off employees to choose which job offers to accept.

Benefits

- ◆ Resources to provide benefit administration and procurement for school corporations including IT resources to maintain eligibility and audit plan activity.
- ◆ Developing methods for communicating benefit information to school corporation employees.

Management Development

SPD's vision to transform state government into an energized high-performance organization places accountability on managers to achieve exceptional results through their employees. Managers need to be able to translate the agency's strategic plan into meaningful and measurable objectives for their department. Managers need to be able to assess the skills, strengths and weaknesses of employees, determine how the skills and strengths can best be tapped and how to develop skills to overcome the areas of weakness. Managers need to understand how to measure results and they need to be able to motivate their employees to achieve beyond what they believe is possible. This critical gap will be addressed through the continuing efforts to integrate performance management into the daily fabric of State government operations.

Effective and Timely Communication with Employees

While today we can communicate directly with approximately 80% of state employees, we continue to review opportunities for improving and expanding communication to all state employees, including those without state e-mail addresses.

**** THE FUNDING REQUEST ****

Centralization of HR services has caused a shift in resources from agencies to SPD. For 2009-2011, the administration proposed a three-tier approach for SPD's budget. For those functions that are statutory, globally administer statewide policy, or provide operational support to the agency, the SPD was funded by a reduced general fund appropriation. For dedicated (client agency specific) HR services, State Personnel's funding was based on the Indiana Office of Technology model. An agency that receives centralized HR services pays a monthly seat charge per position that is supported by SPD. This modified approach reduced the general fund appropriation and allocated the cost of providing HR services directly to those using State Personnel as their first tier HR service provider while preserving SPD's ability to fulfill its statutory mission to establish personnel policies, standards, methods, and procedures for all state agencies. For dedicated Benefit Administration services, the funding was built into the rates for the three self-insured health insurance products, thereby ensuring that the cost of administering the health plans is evenly distributed amongst those participating in the plans, which includes the growing school corporation community.

For Fiscal Years 2011-2013, SPD proposes an annual general fund appropriation of \$3,167,003, a proposed annual base for the HR Services internal service fund of \$8,766,401, and a proposed annual base for the Benefits Administration fund of \$1,521,903. Our primary objective these past five years has been to centralize HR Services and Benefits Administration, thereby reducing the statewide costs associated with HR and Benefits while ensuring compliance and consistent application to both state and federal regulations pertaining to employment and benefits. The centralization of the remaining non-centralized agencies should be complete during the current fiscal year. Through this gradual centralization process, SPD has been able to gain additional efficiencies internally, resulting in additional savings.

- The proposed general fund appropriation of \$3,167,003 for fund 10650 is 15% less than the current general fund appropriation.
- In the first year of this new billing model, the centralized position annual fees were \$350 per full-time position and \$85 per other than full-time (part-time, temporary, or intermittent) positions. By managing expenses and gaining efficiencies through additional statewide centralizations, SPD was able to lower that fee in year two to \$275 per full-time position and \$50 per other than full-time position, resulting in a fee reduction of approximately 21% in the first year.

- In August, 2010, there were 28,570 employees or former employees, including five (5) school corporations, participating in the three self-insured health plans. Based on that membership population, the approximate cost per member to fund the proposed annual cost of \$1,521,903 for benefits administration in fund 58520 is \$54 annually or \$2.08 bi-weekly.

We welcome the opportunity to answer any questions you may have.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Daniel L. Hackler".

Daniel L. Hackler, Director