



State of Kansas Summary of Findings Employee Benefits Study

September 7, 2007

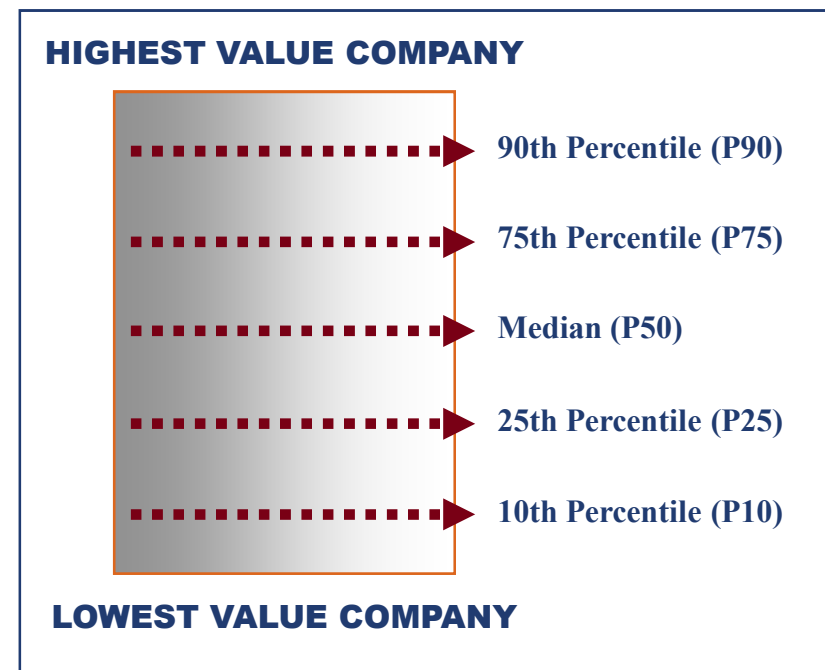


1 Summary of Findings

- At the request of the State of Kansas (“State”), Hay Group has conducted an employee benefits study to examine the external competitiveness of the State’s benefits program.
- The Summary of Findings outlines the approach used in the analysis and a preview of the State’s benefit plans competitiveness levels
- The full report provides commentary on the overall appropriateness of the current program’s design and benefit level in satisfying both employee needs and employer reward objectives. It also presents information on current benefit trends and other employee benefit or policy issues prevalent in the comparator groups.

2 Comparator Database and Market Level

- Marketplace data references were drawn from the 2006 Hay Group Benefits Database and custom, local comparator group. From these two sources, we developed a Public Sector Comparator Group and a Private Sector comparator Group. Organizations included in both groups are listed in Appendix A. 81 organizations in total are included in the analysis – 42 Private Sector and 39 Public Sector.
- The selected comparator group organizations are ranked according to the following percentile measures:
 - 75% and 90% are “high-end” measures
 - 10% and 25% are “low-end” measures
 - Median (P50) is a mid-market measure



3 Hay Group Benefit Valuation Methodology

- Hay Group utilizes a proprietary actuarial valuation methodology to evaluate benefit plans in terms of the cash equivalence of the benefits.
- In establishing a program's overall market competitiveness the Hay Group Benefit Valuation model uses "standard cost assumptions," instead of an organization's specific costs, which eliminates the impact of such cost variables as demographics, geography, funding method, or purchasing power, etc.
- The utilization of "standard or common cost assumptions" provides a uniform quantitative valuation method which produces values based solely on the level of the benefit provided.
- The valuation model places a relative value on each specific feature of a benefit program. The value for each plan is then compiled to produce an overall program value appropriate for market comparison. In general, the more generous a particular feature is, the higher the relative value.

4 Hay Group Benefit Valuation Methodology ...*(continued)*

- The valuation method is applied to a full range of employee benefits including:
 - Healthcare Insurance;
 - Retirement Plans;
 - Death Benefits;
 - Disability and Sick Leave;
 - Holiday/Vacation Schedules; and
 - Other benefits such as Tuition Reimbursement, Flex Plans, etc.

5 Plan Design Observations

- **The following summary highlights the major observations revealed in the Hay Group's study of the State's employee benefit programs.**
- Overall, the State employees receive a comprehensive benefits package which is composed of both employer paid and employee paid plans.
- Relative to the Public comparator group, the State provides a program at the 50th percentile (P50) at all salary levels studied.
- Relative to the Private comparator group, the State provides benefits above median at all salary levels studied.
- The State provides a competitive healthcare program for their employees, near P50 against both comparator groups, primarily due to low individual contribution requirements.
- The State offers a shared cost Pension Plan, as well as an employee paid 457 plan. The generous Pension Plan results in an at or above median total retirement plan.
- The State provides Death, Sick, and Short-term Disability plans that come in near or above median against both comparator groups.

6 Plan Design Observations ...*(continued)*

- The State offers a competitive holiday and vacation plan to their employees that comes in at median against both groups.
- Regarding “Other Benefits,” a category that contains benefits not valued in other sections, the State falls short of median, due to a lack of some key benefit programs valued in this category.
- The combination of the various individual plans provides a competitive total benefits program that generally falls at P50 against the Public group and just above P50 compared to the Private group.

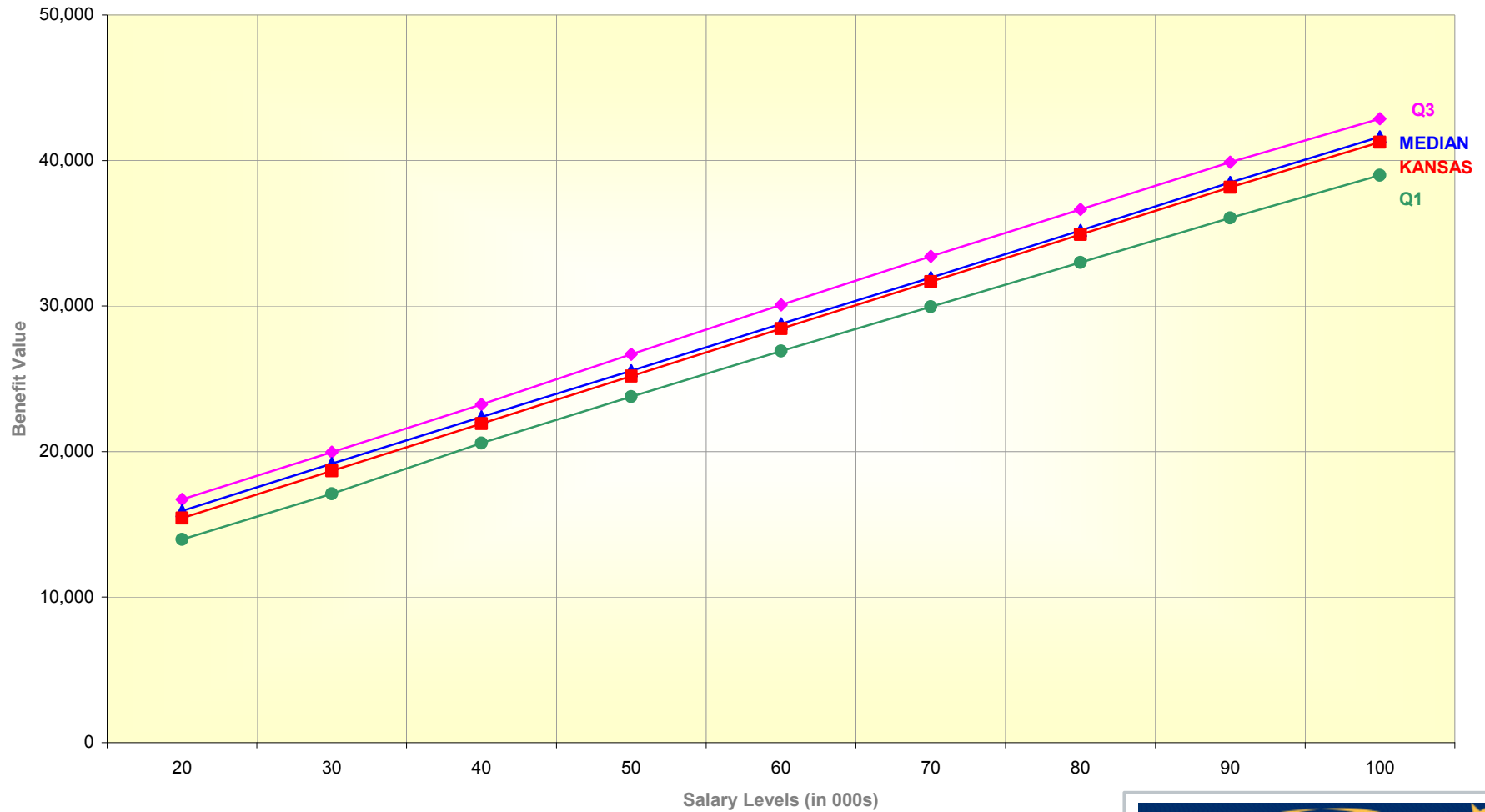
7 Plan Design Observations *...(continued)*

Benefit Plan	State of Kansas Against Private Sector	State of Kansas Against Public Sector
Total Benefits	Above P50	P50
Healthcare	Slightly Above P50	Slightly Below P50
Retirement	Above P50	P50
Death	Above P75	P50
Disability	P50	P50
Holidays and Vacation	P50	P50
Other Benefits	Below P50	Below P50

Summary of Findings

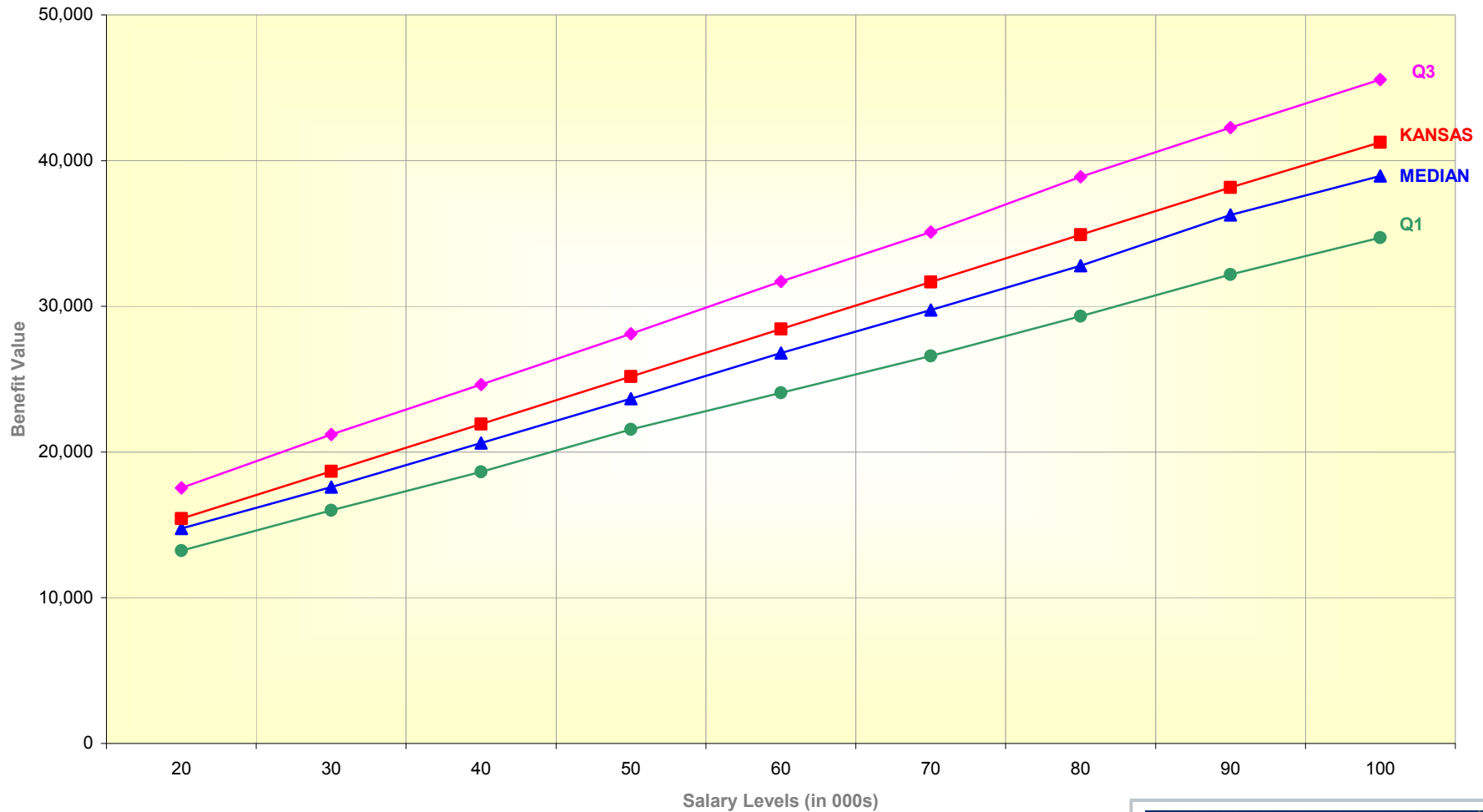
8 Market Competitiveness

**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID TOTAL BENEFITS VALUES**



9 Market Competitiveness ...*(continued)*

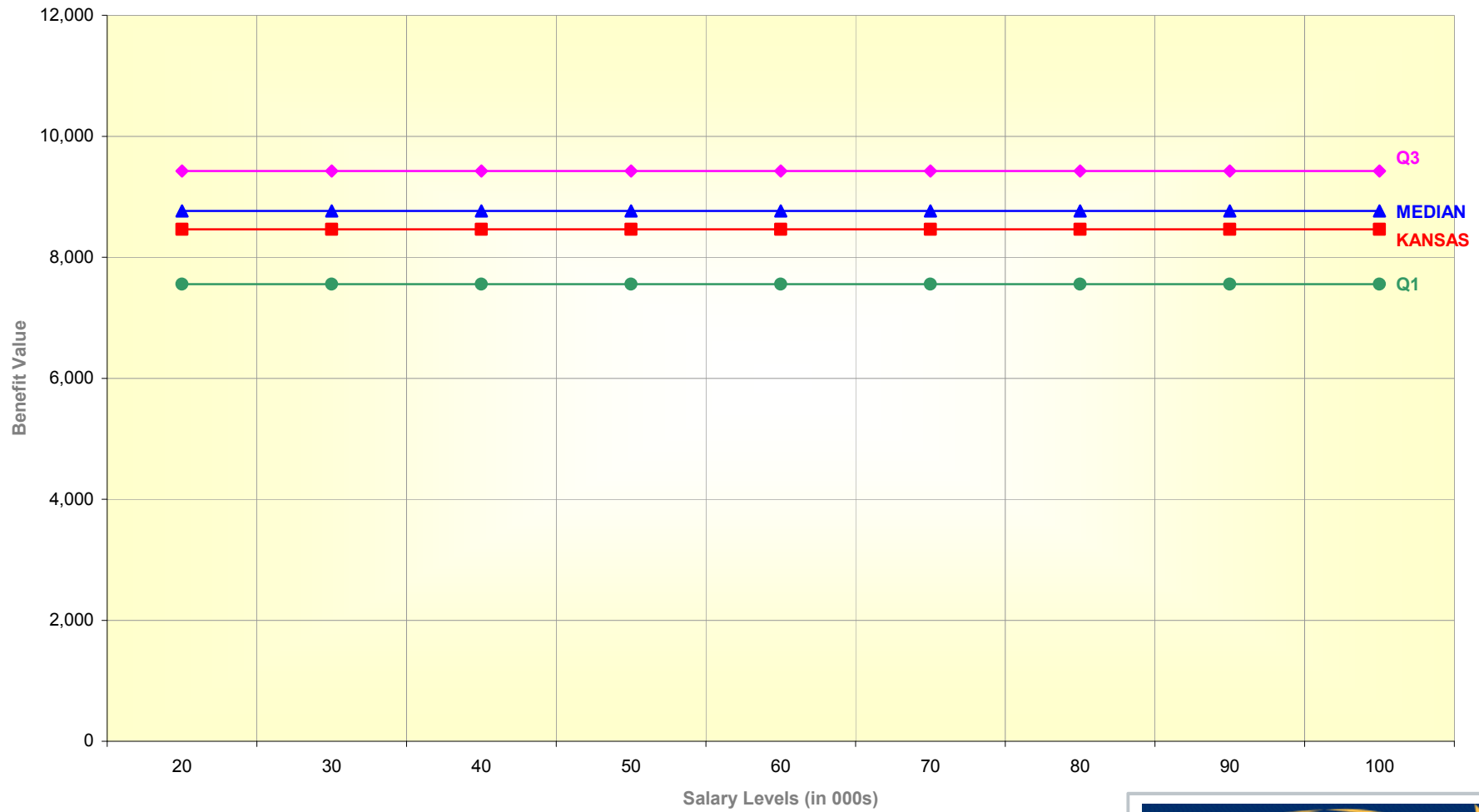
**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID TOTAL BENEFITS VALUES**



Plan Design and Market Comparison

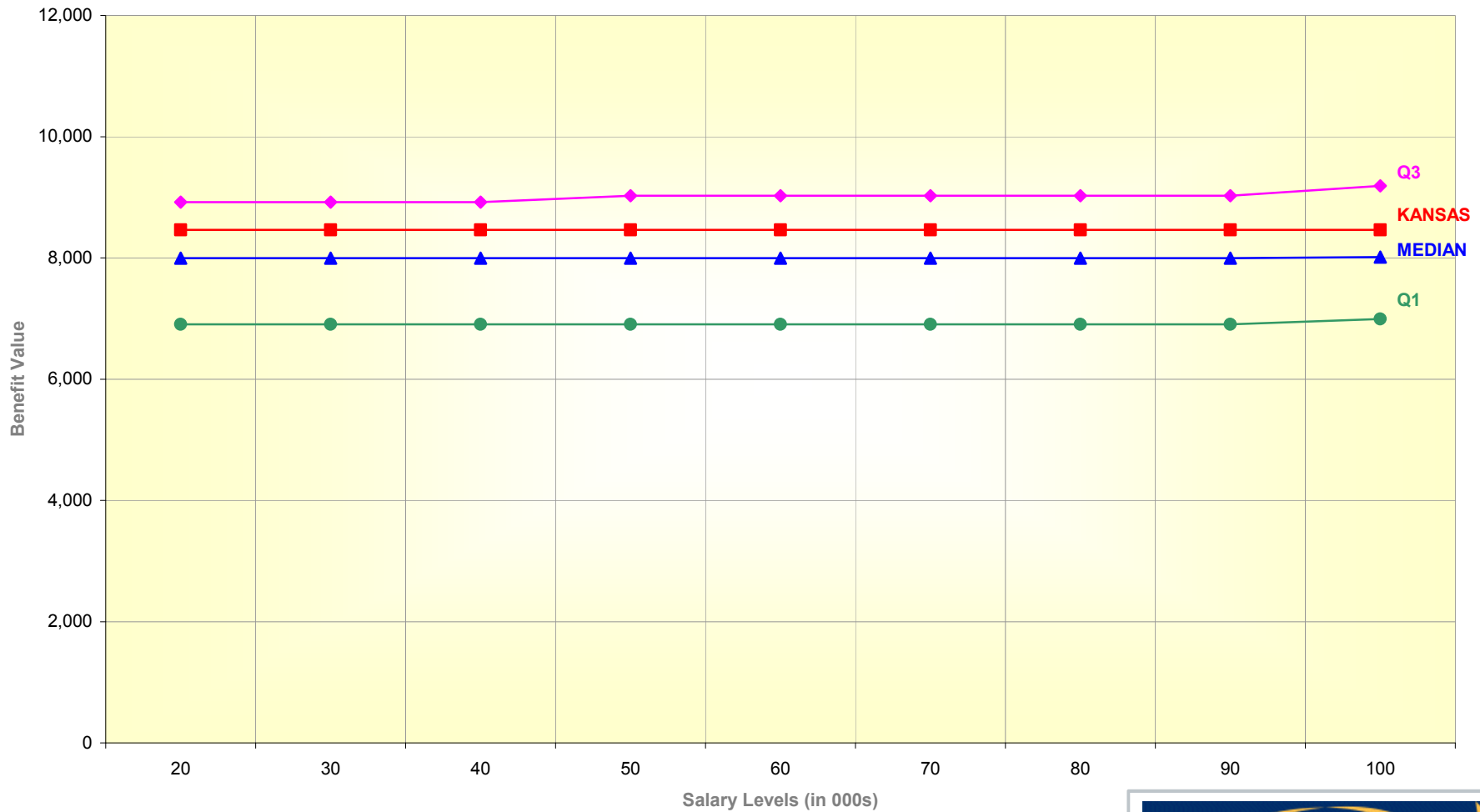
10 Healthcare Insurance ...*(continued)*

**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID HEALTHCARE BENEFITS VALUES**



11 Healthcare Insurance ...*(continued)*

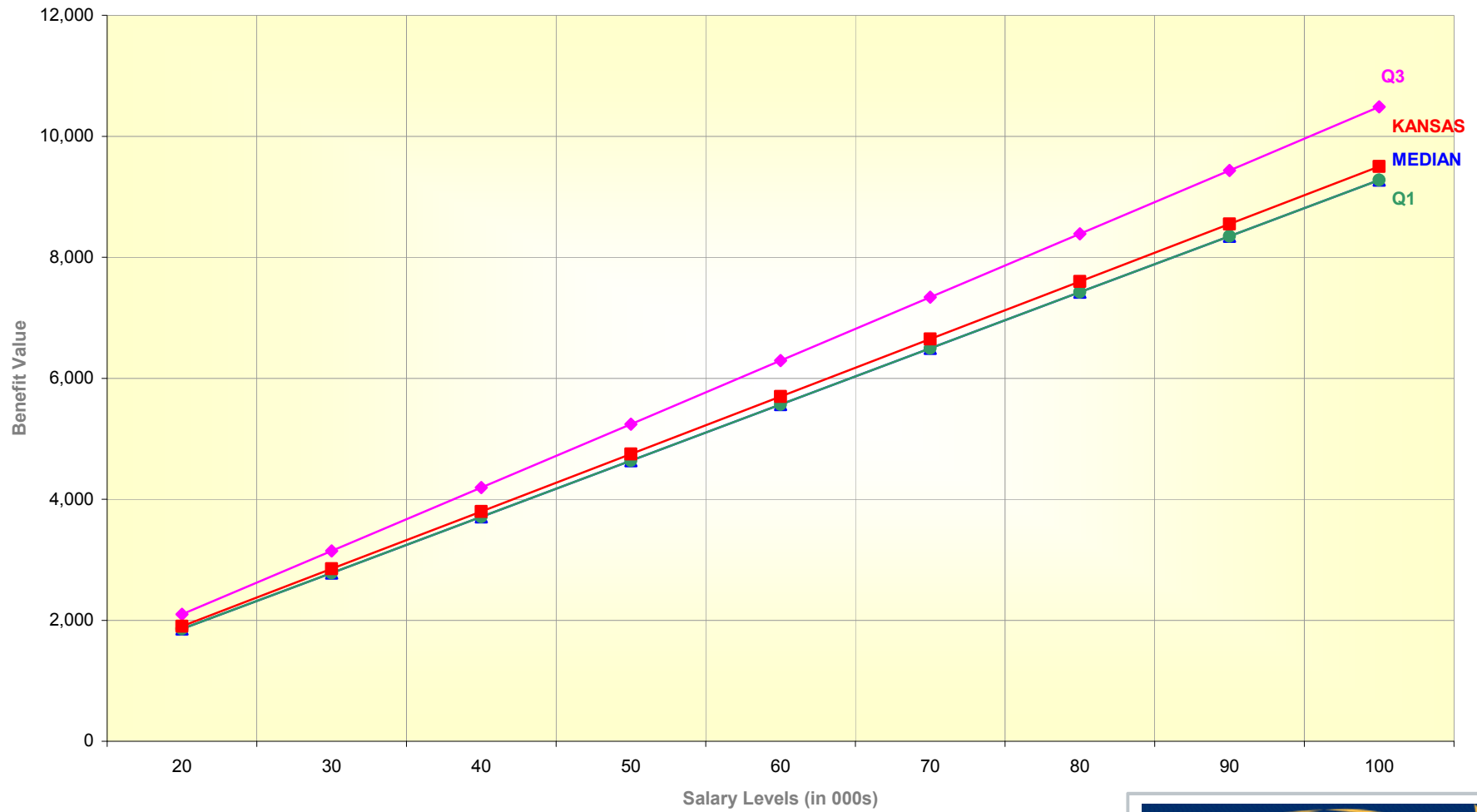
STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID HEALTHCARE BENEFITS VALUES



Plan Design and Market Comparison

12 Retirement Plans *...(continued)*

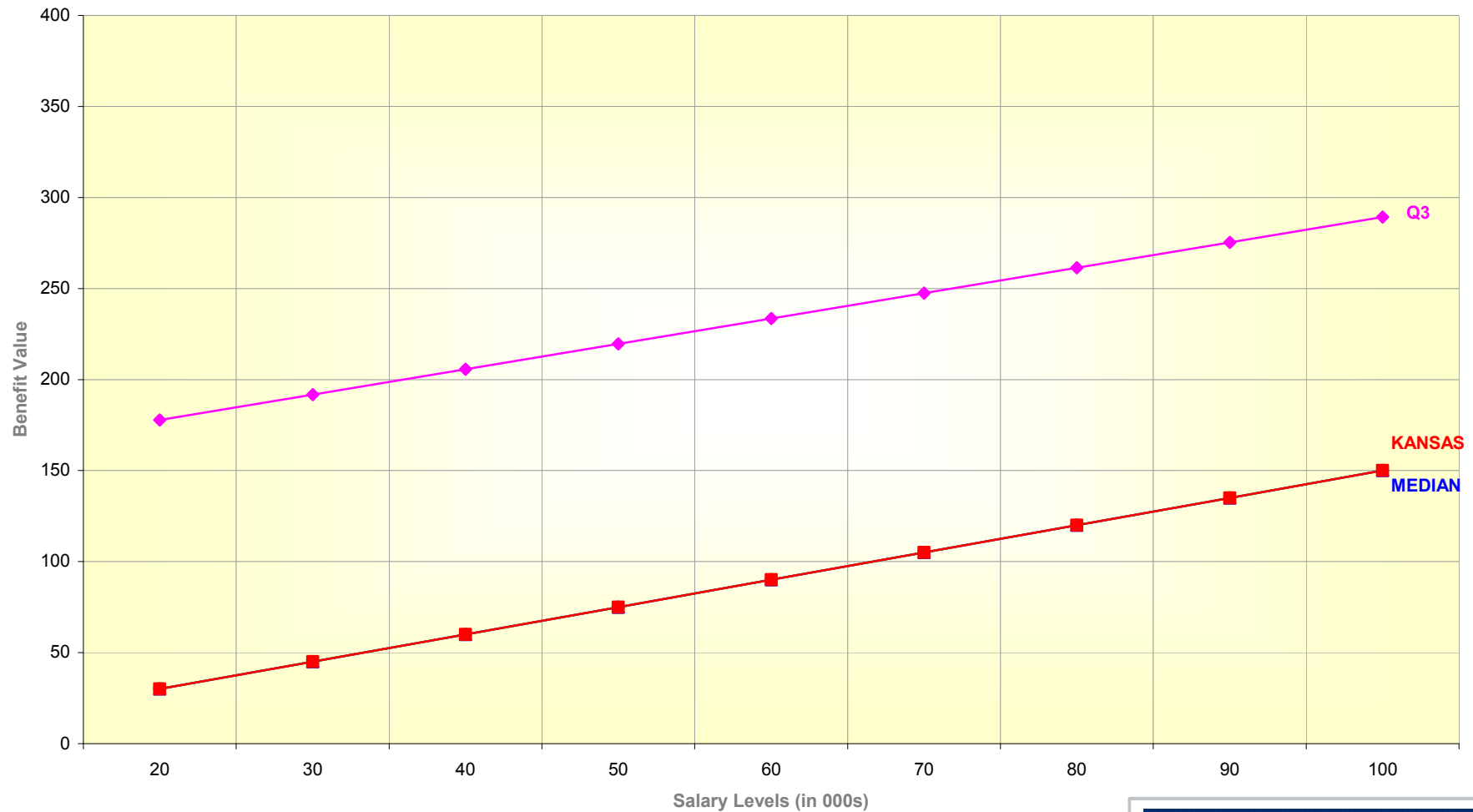
**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID DEFINED BENEFIT PLAN VALUES**



Plan Design and Market Comparison

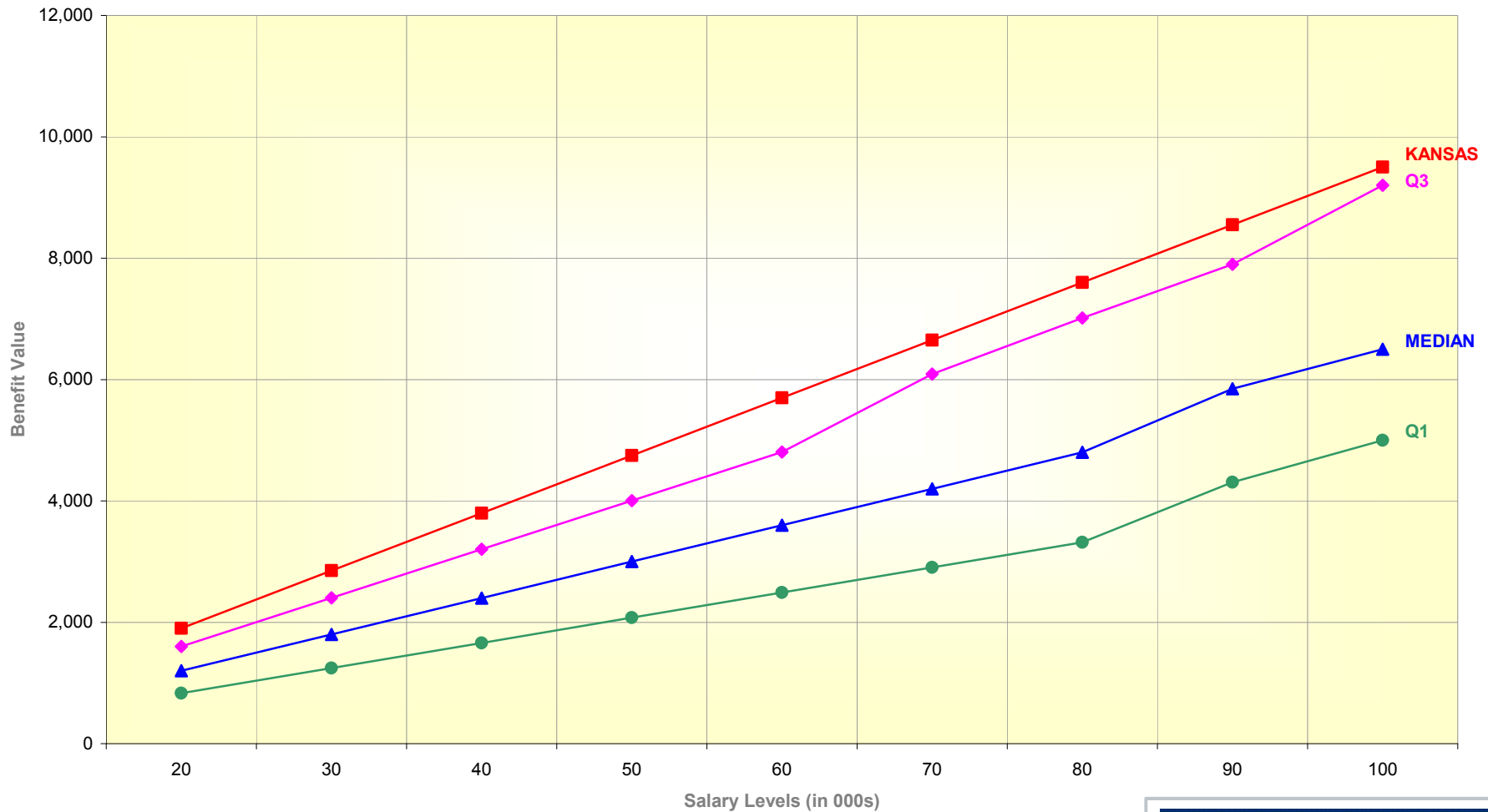
13 Retirement Plans *...(continued)*

**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID DEFINED CONTRIBUTION PLAN VALUES**



14 Retirement Plans *...(continued)*

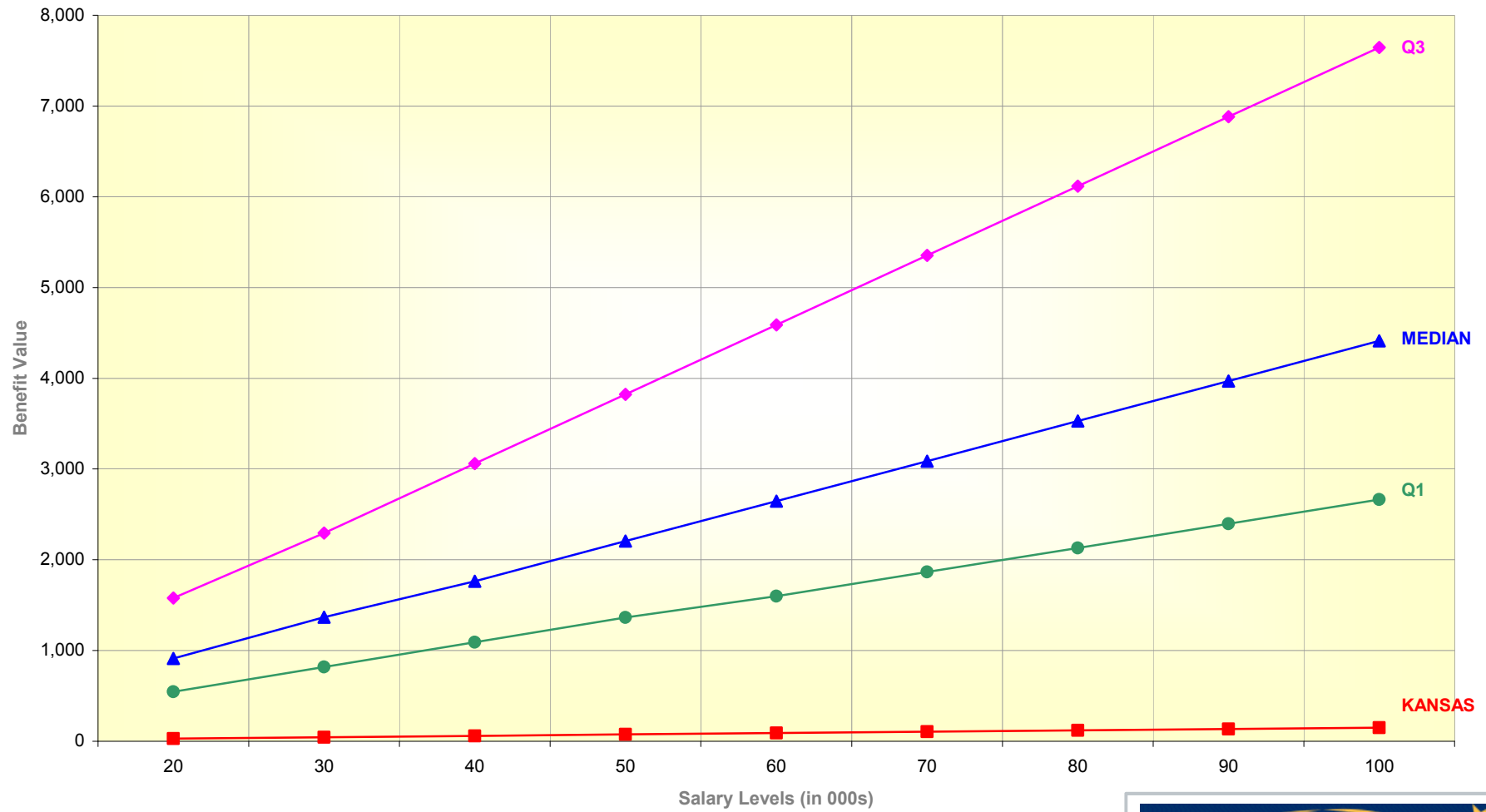
STATE OF KANSAS Compared to Private Sector Organizations EMPLOYER PAID DEFINED BENEFIT PLAN VALUES



Plan Design and Market Comparison

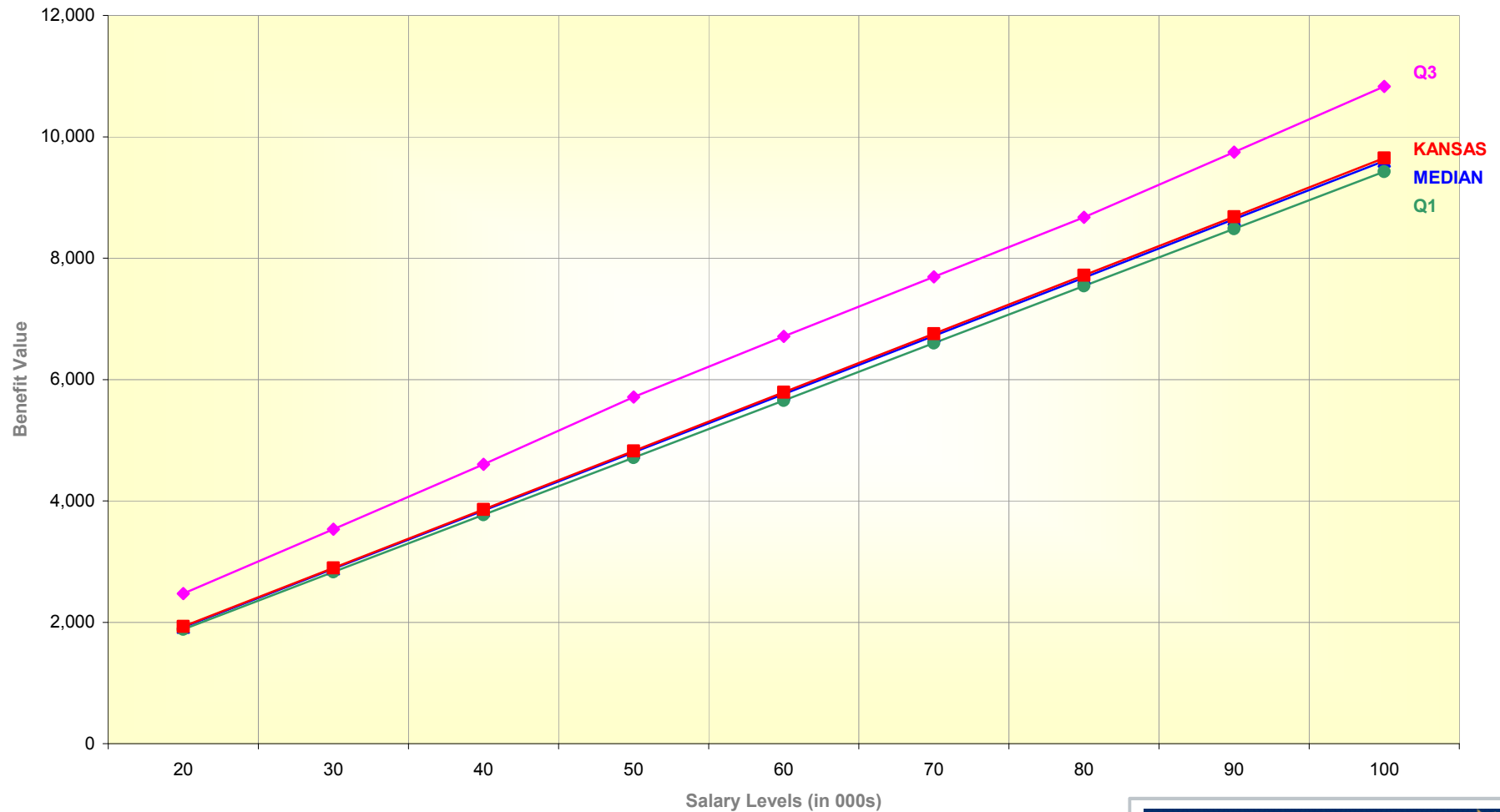
15 Retirement Plans *...(continued)*

**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID DEFINED CONTRIBUTION PLAN VALUES**



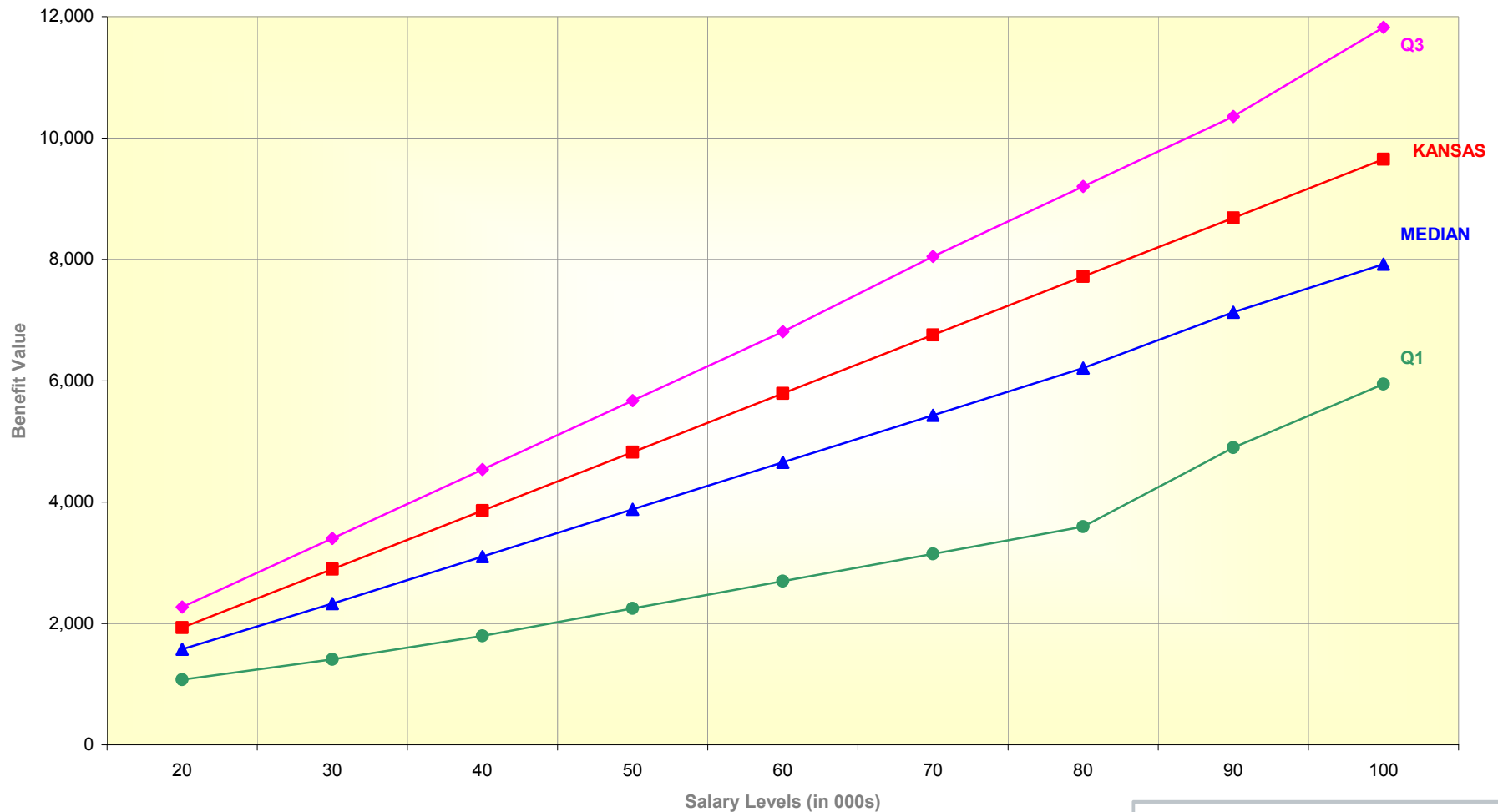
16 Total Retirement ...*(continued)*

STATE OF KANSAS Compared to Public Sector Organizations EMPLOYER PAID TOTAL RETIREMENT BENEFITS VALUES



17 Total Retirement ...*(continued)*

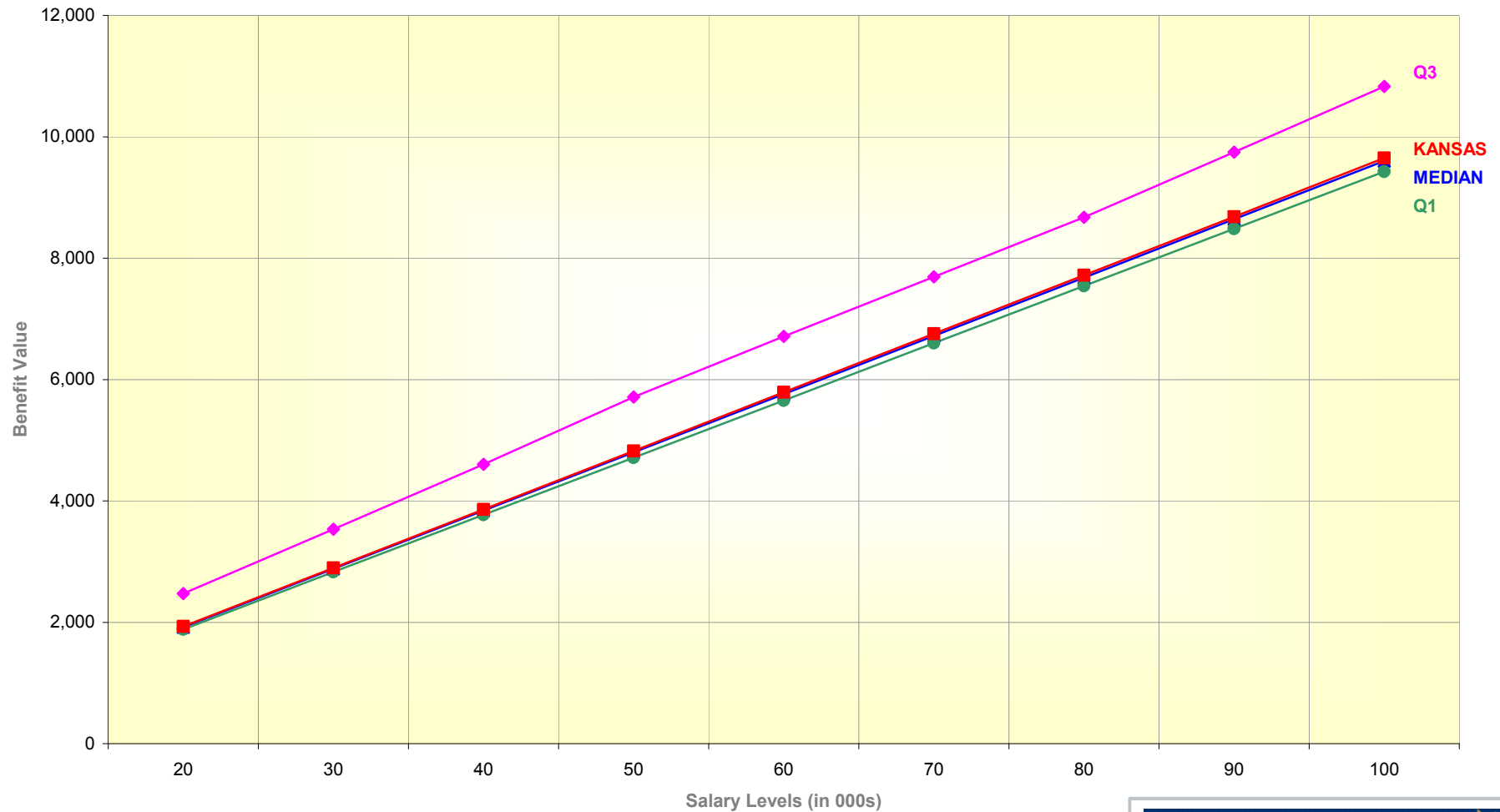
**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID TOTAL RETIREMENT BENEFITS VALUES**



Plan Design and Market Comparison

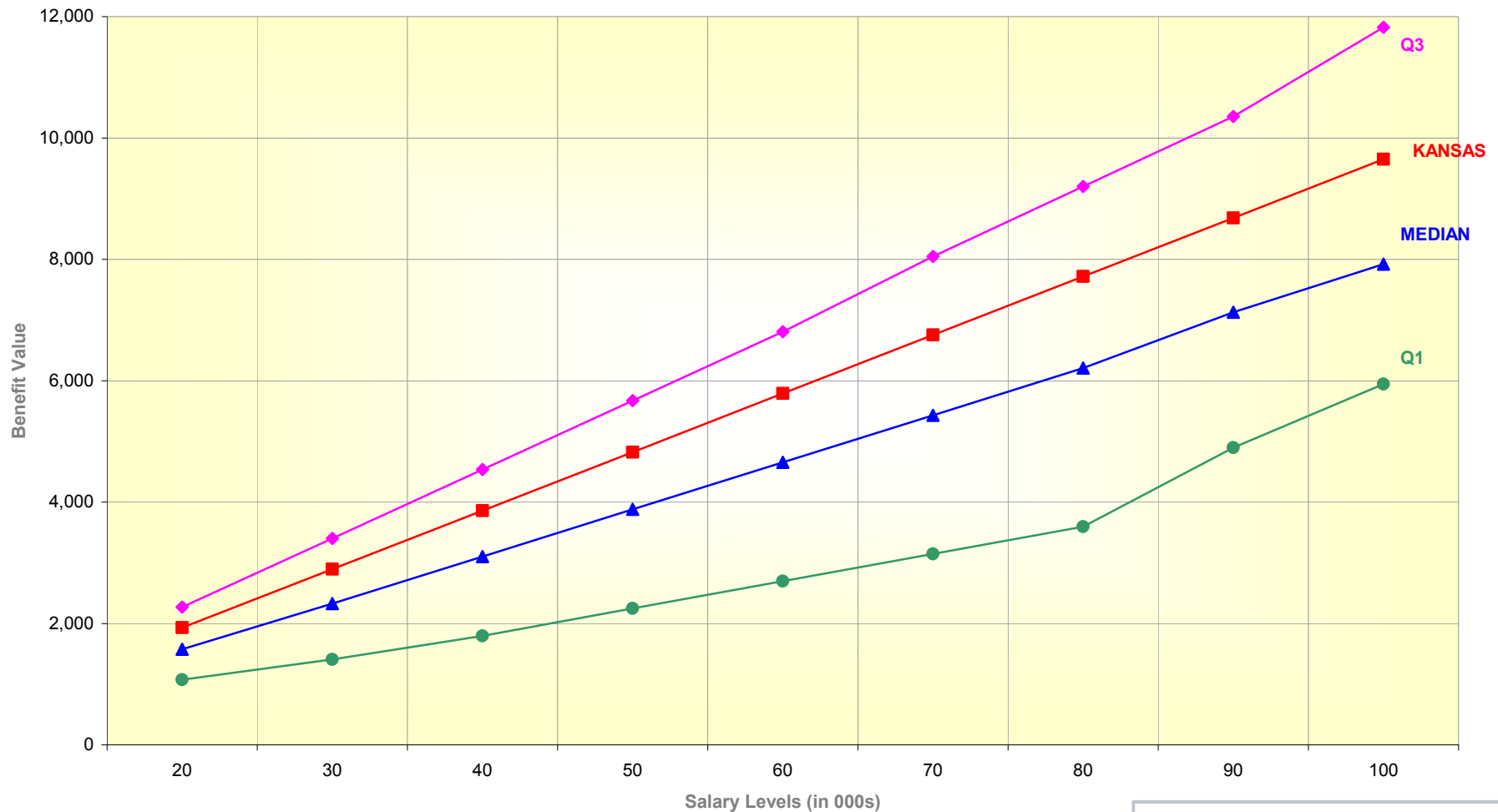
18 Total Retirement ...*(continued)*

**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID TOTAL RETIREMENT BENEFITS VALUES**



19 Total Retirement ...*(continued)*

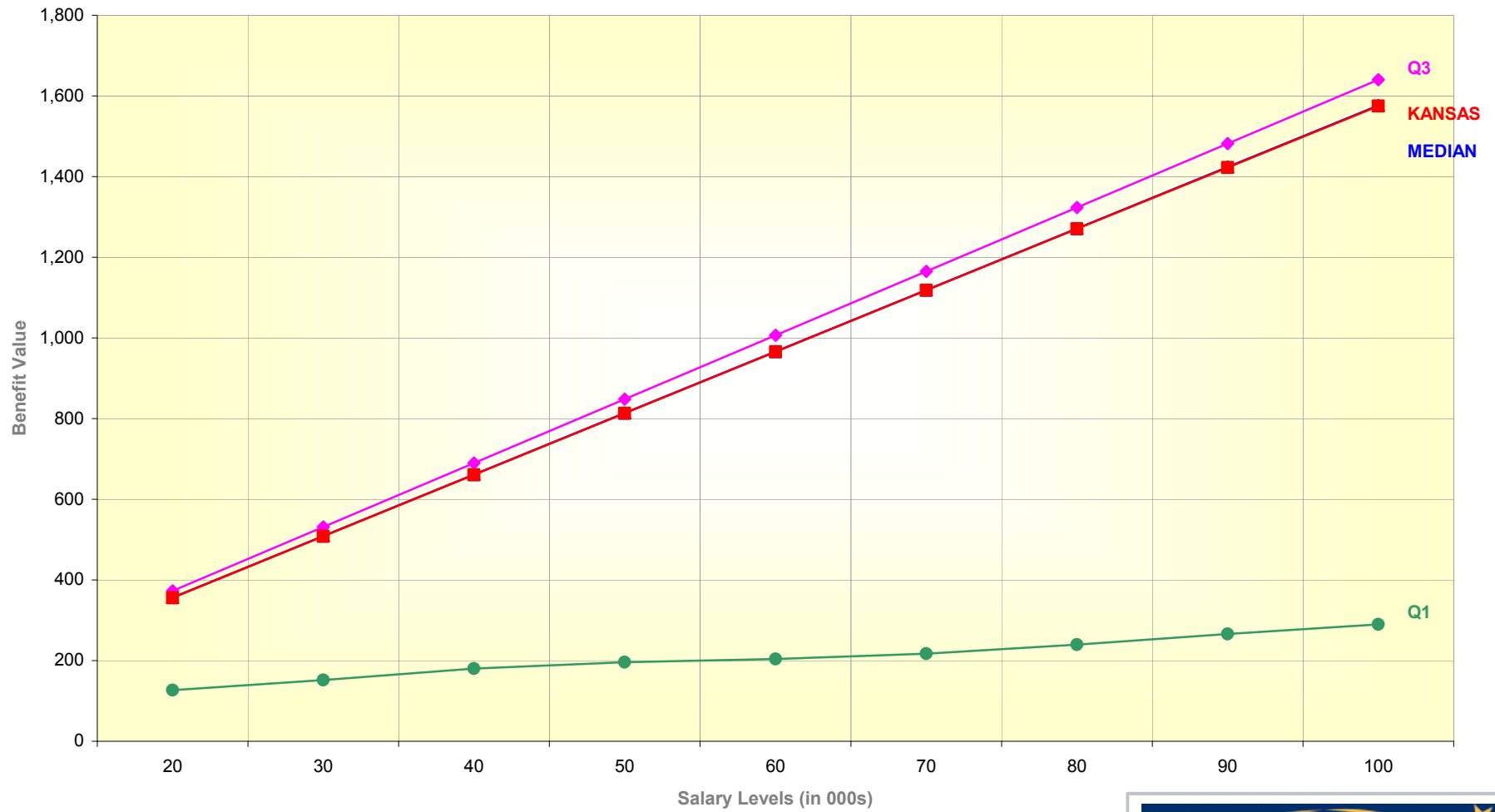
**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID TOTAL RETIREMENT BENEFITS VALUES**



Plan Design and Market Comparison

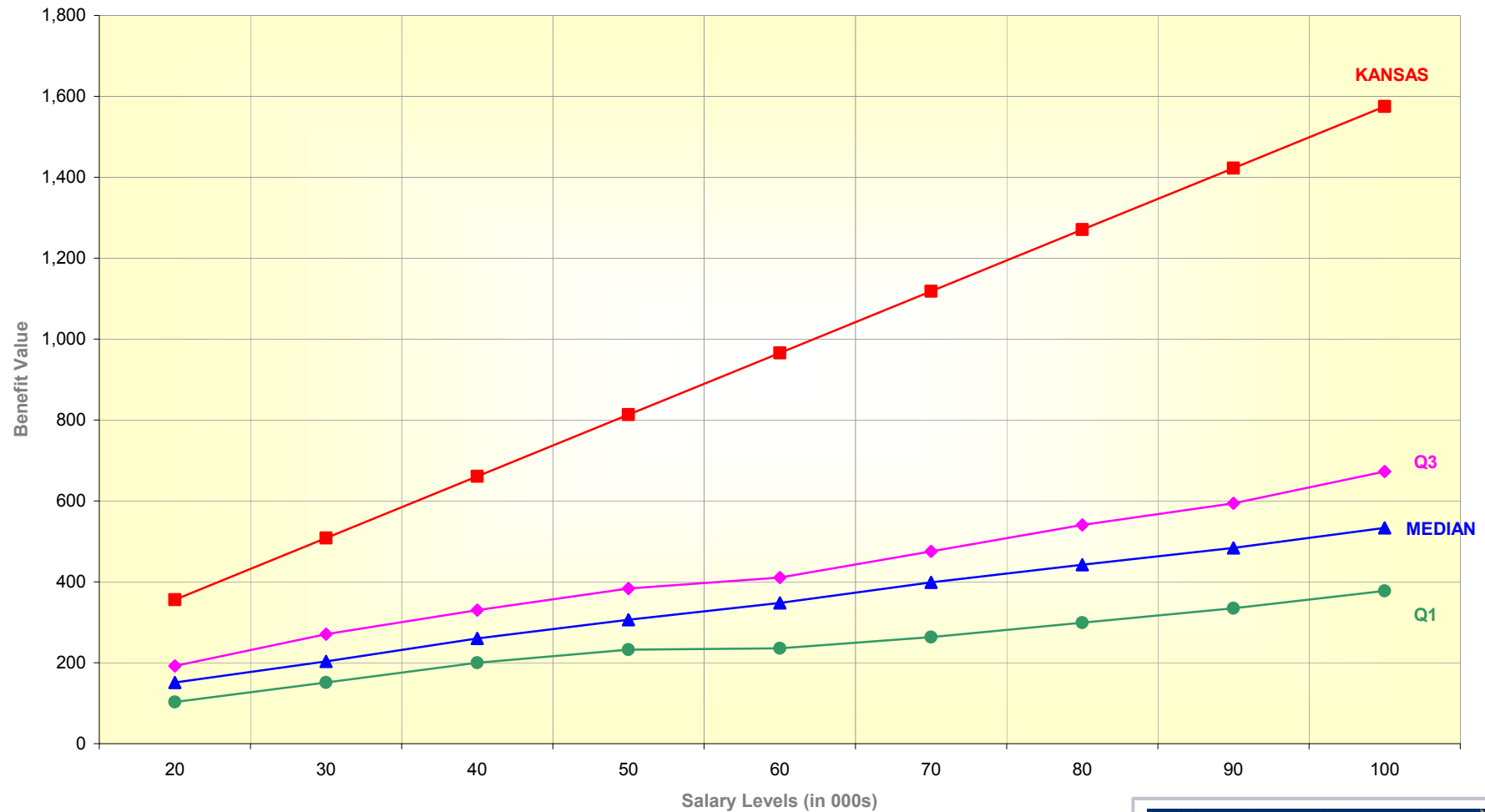
20 Death Benefits *...(continued)*

**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID DEATH BENEFITS VALUES**



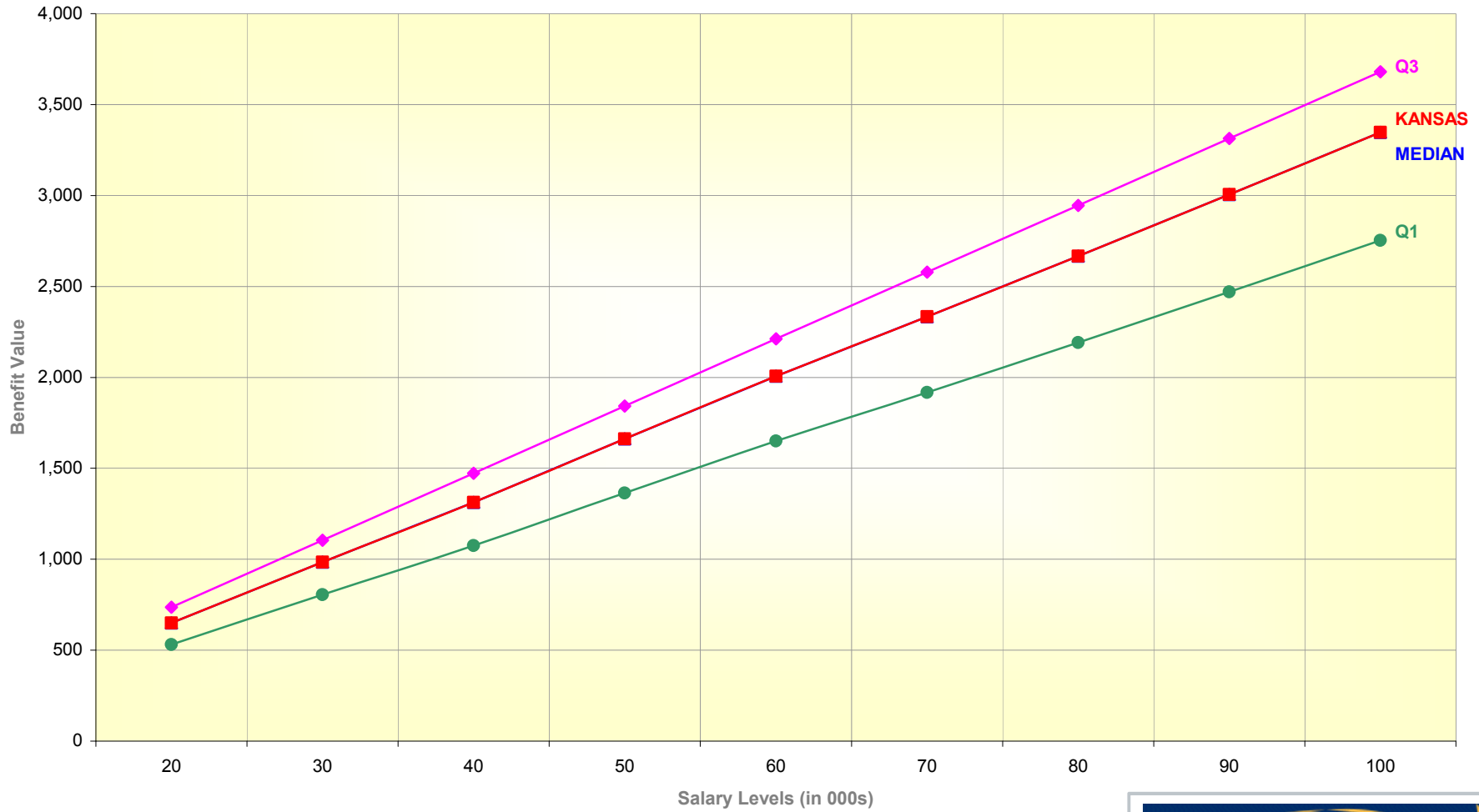
21 Death Benefits *...(continued)*

STATE OF KANSAS Compared to Private Sector Organizations EMPLOYER PAID DEATH BENEFITS VALUES



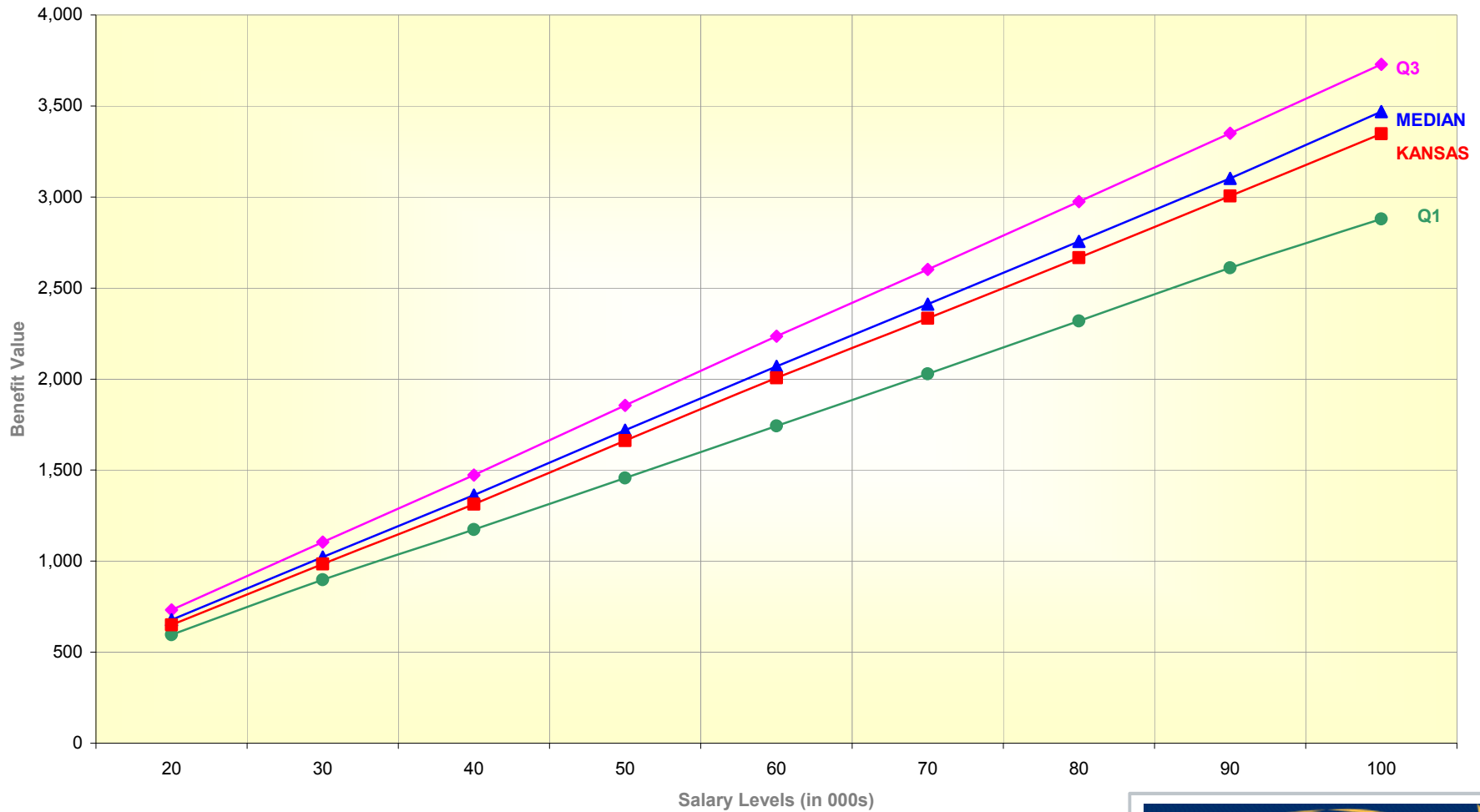
22 Disability & Sick Leave Benefits ...*(continued)*

**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID DISABILITY BENEFITS VALUES**



23 Disability & Sick Leave Benefits ...*(continued)*

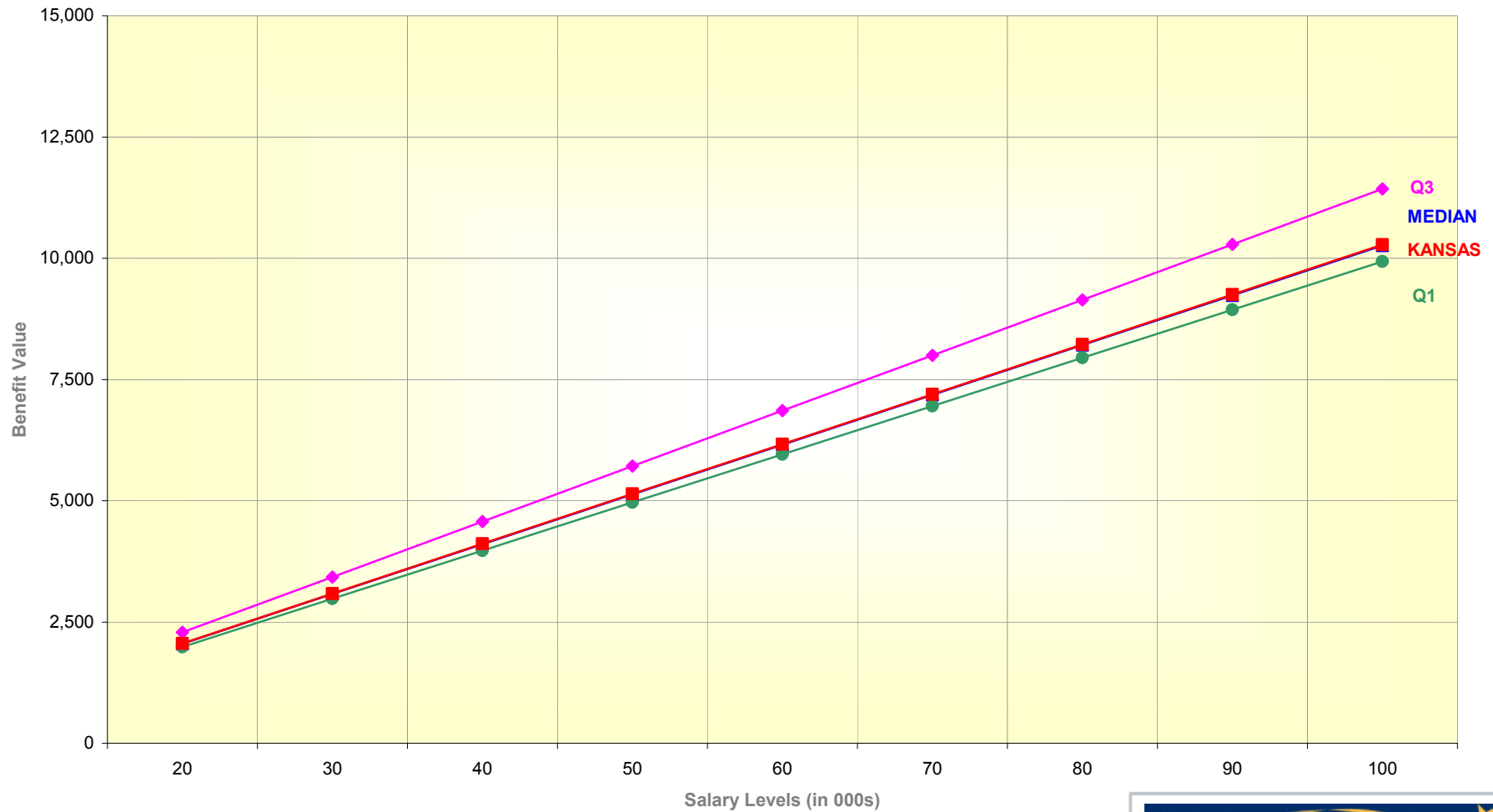
**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID DISABILITY BENEFITS VALUES**



Plan Design and Market Comparison

24 Holidays and Vacations ...*(continued)*

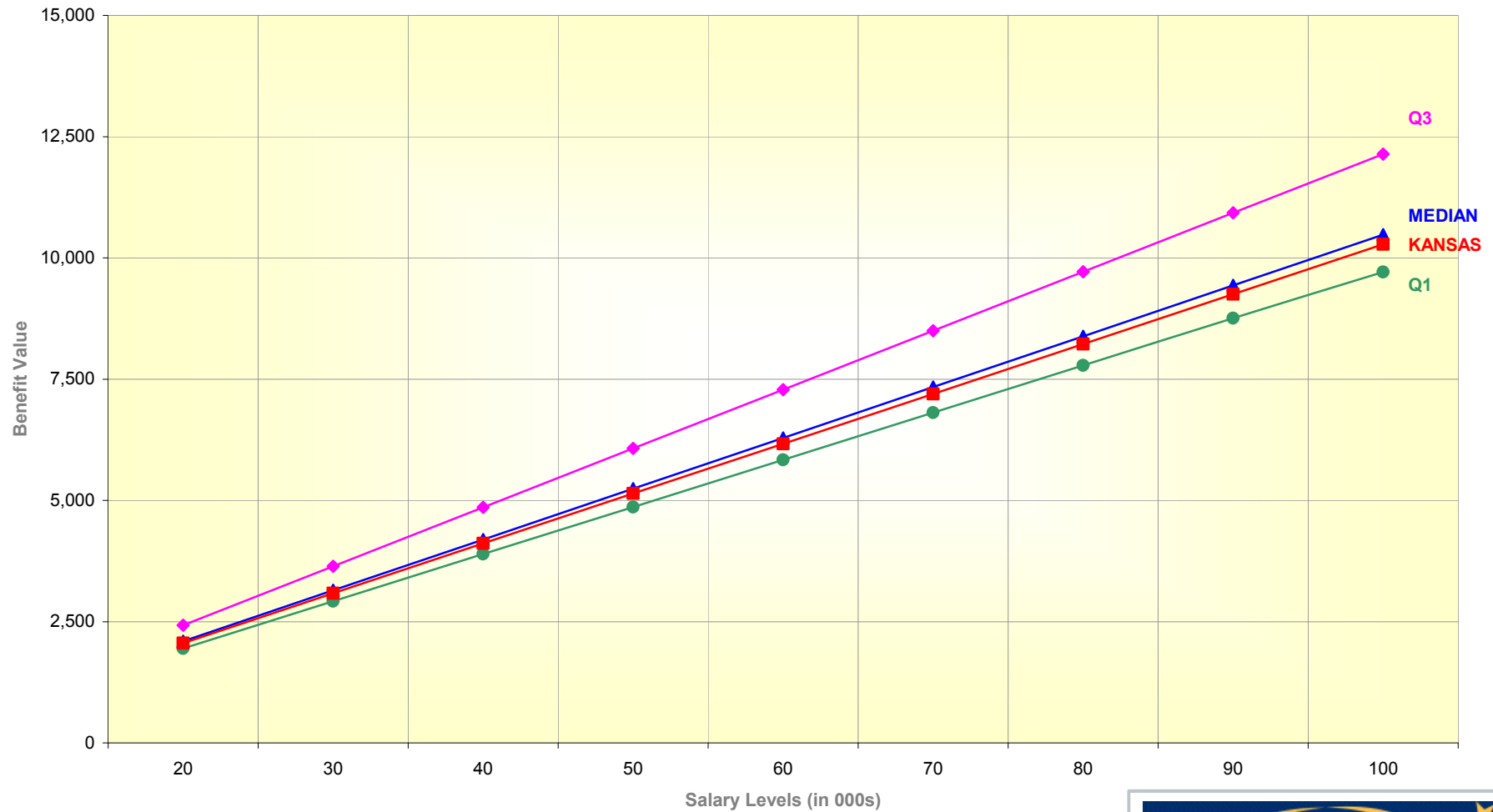
**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID HOLIDAYS AND VACATION BENEFITS VALUES**



Plan Design and Market Comparison

25 Holidays and Vacations ...*(continued)*

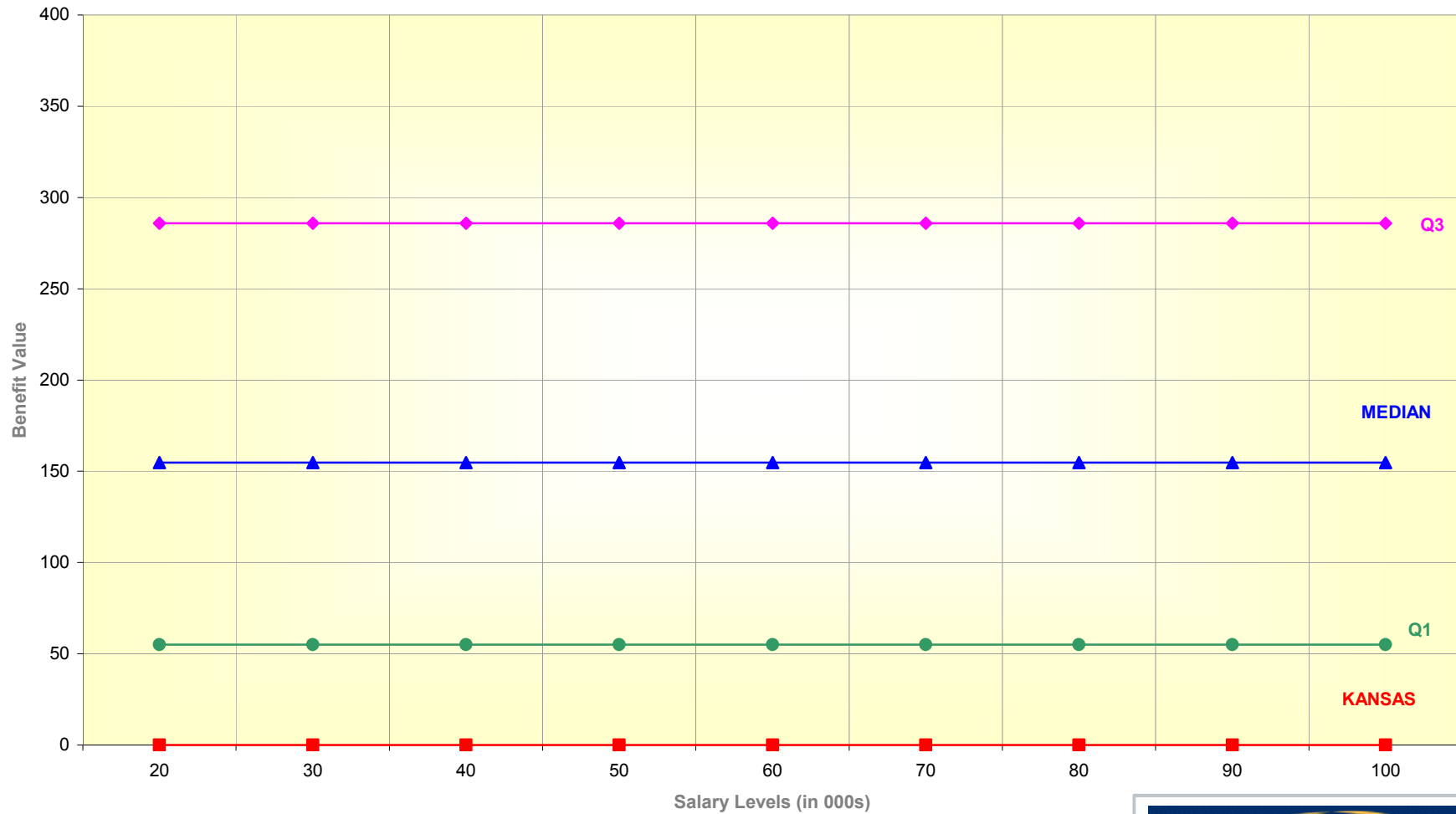
**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID HOLIDAYS AND VACATION BENEFITS VALUES**



Plan Design and Market Comparison

26 Other Benefits *...(continued)*

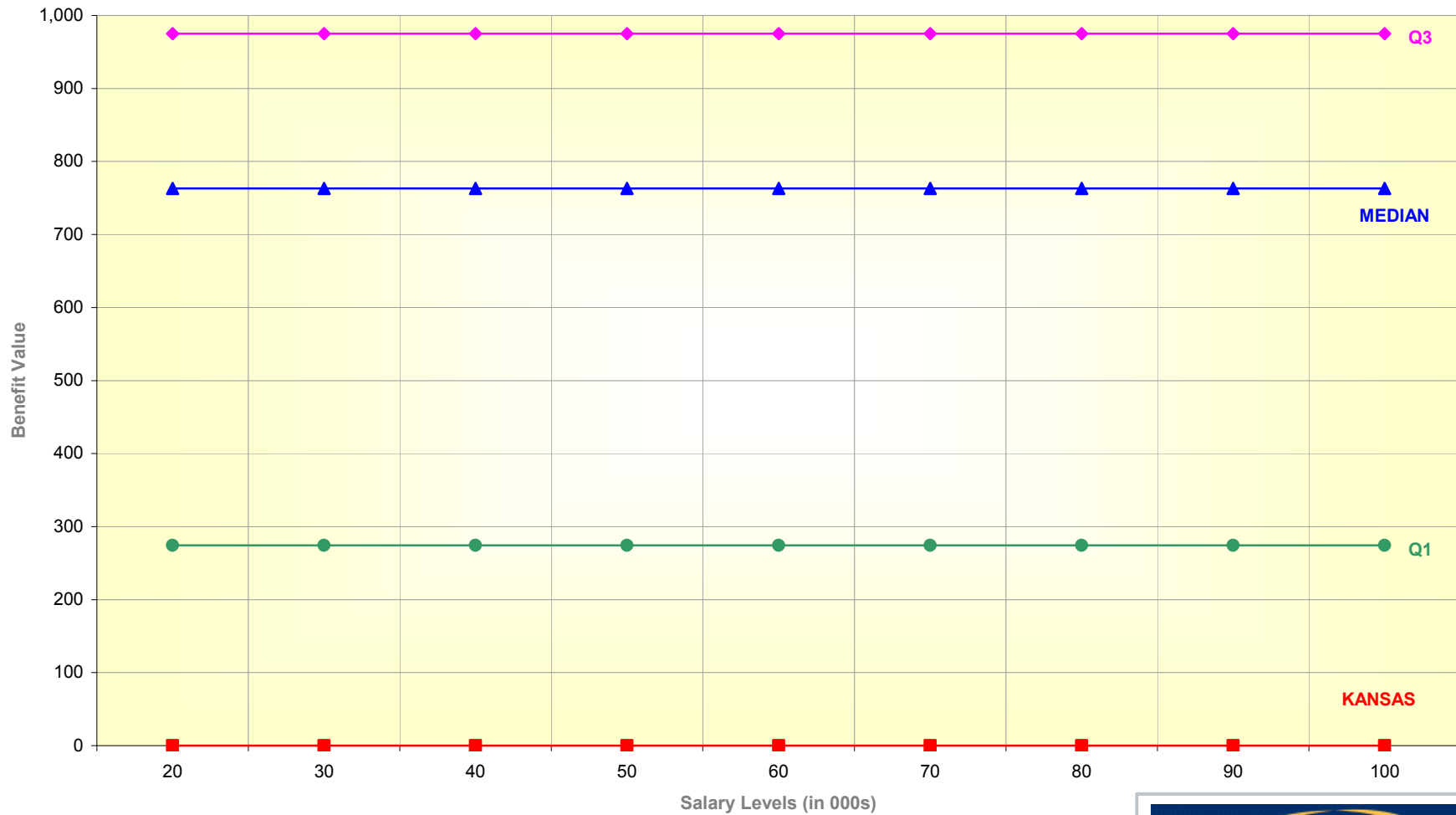
**STATE OF KANSAS Compared to Public Sector Organizations
EMPLOYER PAID OTHER BENEFITS VALUES**



Plan Design and Market Comparison

27 Other Benefits *...(continued)*

**STATE OF KANSAS Compared to Private Sector Organizations
EMPLOYER PAID OTHER BENEFITS VALUES**



28 Public Sector Comparator Group

Blue Valley Public Schools
Butler County
City of Hays
City of Hutchinson
City of Larned
City of Lawrence
City of Lenexa
City of Manhattan
City of Olathe
City of Overland Park
City of Salina
City of Shawnee
City of Wichita
County of Jackson Courthouse, MO
Cowley County
Derby Public Schools
Douglas County
Fairfax Drainage District
Johnson County
Johnson County Department of Environment

Johnson County Water District
Labette County
Leavenworth County
Miami County
Olathe Public Schools
Reno County
Riley County
Saline County
Sedgwick County
State of Arkansas
State of Colorado
State of Idaho
State of Iowa
State of Kansas
State of Missouri
State of Nebraska
State of Oklahoma
State of Wyoming
Unified Government of Wyandotte County

29 Private Sector Comparator Group

American Century Investments
Amsted Industries
Applebees International
Blue Cross and Blue Shield of Kansas
Burns & McDonnell
Central Missouri State University
Children's Mercy Hospital
Coffeyville Resources Refining and Marketing, LLC
ConAgra Foods
Copaken White & Blitt
Coventry Health Care, Inc.
Farmland Foods
Federated Rural Electric Insurance
Freeman Health System
Frito Lay
Hallmark Cards
Helzburg Diamonds
Hershey Foods
Hills Pet Nutrition
Honeywell
Huhtamaki
J. C. Penney
Kansas City Life Insurance
Kimberly-Clark
Lincoln National
MedPlans Partners
Missouri Employers' Mutual Insurance
Nationwide Mutual Insurance
Olathe Health Systems
Payless ShoeSource
Principal Financial Group
Saint Luke's Health System and Hospitals
Sears Holdings -- Sears, Roebuck and Co.
Security Benefit Group of Companies
Shawnee Mission Medical Center
Shelter Insurance
Sisters of Charity
Stormont Vail Health Services
Tyson Fresh Meats
Union Pacific Railroad
Via Christi Regional Medical Center
Wesley Medical Center