

Kentucky Chamber
Uniting Business. Advancing Kentucky.

OCTOBER 2012

Frankfort's most urgent issue: Fix pensions

FROM CALIFORNIA to Rhode Island, state budgets are plagued by unfunded liabilities of public employee pension plans, and Kentucky is no exception. According to a recent report from the Pew Center on the States, Kentucky is one of only three states whose pensions were less than 55 percent funded in 2010. A sustainable system should be funded at 80 percent. Kentucky's failure to pay its annual pension contribution from 2005 to 2010 resulted in a \$17 billion funding gap and possibly the most significant threat the Commonwealth's financial well-being has ever faced.

KENTUCKY'S PENSION CRISIS

Kentucky's financial condition is ranked 47th in the country because of our massive state debt and unfunded pension liabilities in relation to the gross state product, according to a recent Barron's report. Only Hawaii, Illinois and Connecticut ranked worse. The two major bond rating agencies have taken notice and downgraded Kentucky's bond rating, which means it is going to cost taxpayers more for such projects as the Ohio River bridges, new school construction and road improvements.

Unfortunately, this isn't breaking news for Kentucky lawmakers or the business community. The Chamber first highlighted the state's public pension problems in 2007 and again with its *Leaky Bucket* reports in 2009 and 2011 that identified the growing costs of Kentucky's public employee benefits. The business community and taxpayers alike have become increasingly aware that valuable tax dollars are being diverted from such critical areas as education and economic development to keep an unsustainable pension system afloat. With the pension system nearing a \$30 billion shortfall in 2012, none of us can afford to sit idly by.

Lawmakers have made encouraging steps, starting with modest reforms in 2008 and creating a task force during the most recent session to study Kentucky's public employee pension system. The Pew Center on the States is assisting the new task force and has just released a report documenting



the problems with our retirement system. The center also emphasizes the need for significant changes to make the system sustainable. As the task force continues to hear testimony and recommendations from the public on how to fix the ailing system, it is clear that employee and employer groups are not on the same page, particularly as it relates to pension benefits for state and local employees that are hired in the future.

The Chamber appeared before the task force recently with a number of recommendations that would help ensure pension benefits are available for retirees and help control future costs (see sidebar).

Kentucky must act now. The nature of the pension system, in which costs constantly accu-

Stopping Kentucky's pension train wreck

REDUCE HEALTH INSURANCE COSTS – Public employee health insurance costs, which have increased nearly 200% since 2000, make up just over half of the required pension contribution. The Kaiser Family Foundation reports that the average annual premium for employer-provided single health coverage in Kentucky is \$4,683, with employers paying an average of 81% of premium costs. By comparison, the Kentucky Employee Health Plan reports that state government paid more than \$7,000 per year for single coverage in 2011 or 91% of premium costs. This cost is 50% higher than in the private sector. The Chamber suggests that state employees should contribute a minimum of \$50 per month to their health insurance plan to bring costs more in line with the private sector. The Chamber also recommends a more aggressive wellness plan for public employees, especially since current state wellness programs are voluntary.

FREEZE COLA – Currently a 1.5% annual cost-of-living increase is provided to retirees unless it is suspended by the legislature. This provision has been suspended in the current budget, but the Chamber recommends that suspension be ongoing until the pension system is more adequately funded. We simply cannot afford to increase the costs to this system while it is still underfunded.

MOVE TO DEFINED CONTRIBUTION PLAN – Defined benefit plans have largely been phased out in the private sector in favor of 401(k)-style plans. The Chamber recommends new employees be moved into a defined contribution plan and current employees be given incentives to convert to the new plan. By offering current employees the opportunity to move to a defined contribution plan, lawmakers will allow current employees more portability and control over their retirement funds.

mulate, requires immediate action to put the system on a sustainable track. Every year that passes without significant changes simply kicks the can down the road. Failing to act also continues the shortsighted and ill-advised trend of providing less money for education and economic development and more for benefits – the result of which will be a weakened position for Kentucky as it strives to compete in a global economy.

We encourage legislators and members of the business community to stay actively involved in this process as the task force proceeds. Kentucky faces a very difficult fiscal challenge, and it is one that can only be solved with comprehensive reform.

Jim Booth to lead 2013 Board of Directors

JAMES H. BOOTH, president of Booth Energy, has been elected chairman of the Kentucky Chamber's 2013 Board of Directors. Booth will head a 60-member board, representing a cross-section of Kentucky business and industry.

Booth is a lifelong resident of Martin County, Ky. After earning a degree in business administration from Morehead State University in 1971, Booth accepted a management position with Wolf Creek Collieries. He partnered to start his first contract mining operation in 1975 and has since added many more mining operations in the eastern Kentucky and West Virginia area. His mining group now supplies over seven million tons of coal annually to electric utilities in the eastern United States. Over the years, Booth and his associates

also entered into the retail industry. Combined, the mining operations and retail operations employ approximately 2,100 personnel in the eastern region of Kentucky and southern West Virginia.

During Booth's year of chairmanship, the Kentucky Chamber will focus on implementing its new strategic plan, as well as working with legislators on addressing the unfunded pension system.

He succeeds 2012 Chairman Luther Deaton, Jr., chairman, president and CEO of Central Bank & Trust in Lexington. Mary Pat Regan, president of AT&T Kentucky has been named chair-elect for 2013 and will serve as Kentucky Chamber Chairwoman in 2013. See page 4 for a full listing of the 2013 Board of Directors.



Jim Booth, president of Booth Energy.

Kentucky Chamber PAC endorses business-friendly candidates

THE KENTUCKY CHAMBER of Commerce's Political Action Committee (PAC) has endorsed 26 legislative candidates in the 2012 General Election; eight candidates for senate and 18 candidates for house. Endorsements made were based on a candidate's collective record and not any one specific issue.

The Kentucky Chamber PAC considered candidates

who submitted answers to the 2012 Candidate Survey and reviewed the voting records of incumbents.

Based on this review, the Chamber PAC endorsed candidates who demonstrated a willingness to support Kentucky's business community.

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Kentucky Chamber

NEWS

Jan. 10, 2013

5 - 9 PM

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Kentucky Chamber Day



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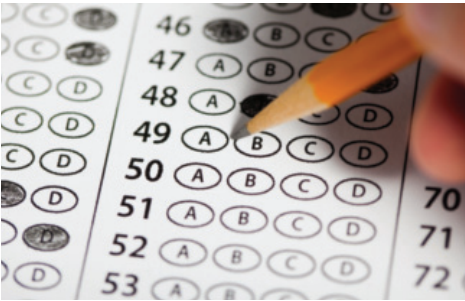
PREPARING THE FUTURE WORKFORCE

Test scores provide glimpse of performance on tougher standards

BRACE YOURSELF! Here they come. Kentucky's public school students were tested for the first time last spring on tougher academic standards that the state has adopted to improve student preparation for college and career. The test scores and data on how well schools are doing so far are due this fall (the latest estimate of the release date was late October or early November).

State education officials and the Chamber have been talking for months about the possibility that the scores will be lower – or appear to be lower – than what Kentuckians have seen in previous years. That is particularly true in reading and math, the two areas where the challenging standards are being taught in classrooms statewide.

Several factors would contribute to lower scores, officials say. First, any new test leads to lower scores as educators and students become familiar with the style and content. But this year,



For more information on the Kentucky Chamber's support of academic standards, visit kychamber.com/standards.

there are particularly challenging elements. The standards require students to work harder than in the past, learning things in the third or fourth grade, for example, that they previously were taught in the fifth grade. In addition, the way the tests are scored will be different. In the past, schools and districts received an overall score on a scale of 0 to 140. Under the new system, the overall scale will

be 0 to 100. It isn't possible to compare the new scores with the old, and it may appear that scores have dropped.

Education officials believe the decline will be short term and that scores will improve as teachers and students become more familiar with the standards and better equipped to meet the challenges they present.

Meanwhile, they are urging the state's business community to be vocal about the importance of staying on track with the tougher standards and the potential they offer for preparing a higher quality workforce.

If the scores are lower, noted Education Commissioner Terry Holliday, "There's going to be a big outcry from parents, students, teachers and community people: 'What happened? What happened?' That's where we need our business community to step up and say, 'This is important for the future of Kentucky, and we need to stay the course.'"

Chamber wins national award for Leadership Institute

DURING A CONFERENCE in Coeur d'Alene, Idaho, the Kentucky Chamber received three awards from the Association of State Chamber Professionals, including the prestigious President's Award.

The Chamber won the President's Award based on its efforts in creating the Leadership Institute for School Principals, a program offering public and private school principals an opportunity to receive executive leadership training from the nationally acclaimed Center for Creative Leadership.

Also during the conference, the Chamber's membership team received honorable mention in the areas of "Highest Retention Improvement in Membership Dollars" and "Highest Retention Improvement in Membership Numbers."

FROM THE FRONT
26 candidates endorsed by PAC

Endorsed Senatorial candidates include:
Stan Humphries (R-Cadiz)
David Givins (R-Greensburg)
John Schickel (R-Union)
Chris Girdler (R-Somerset)
Damon Thayer (R-Georgetown)
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Endorsed House candidates include:
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Ryan Quarles (R-Georgetown)
Donna Mayfield (R-Winchester)
Joshua Howard (R-Pineville)
Robert Benvenuti (R-Lexington)
Tanya Pullin (D-South Shore)

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Talk to your broker, call the Kentucky Chamber at 800-431-6833 or visit www.anthem.com/chamberadvantage for more information.

*Discount only applies to Kentucky Chamber members who do not already have Anthem health coverage.
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Scholarship named in honor of Beshears



At a reception for Key Investors and Board of Directors at the Kentucky Governor’s Mansion, the Kentucky Chamber announced it will award a full scholarship for a school principal to attend the Leadership Institute for School Principals in honor of Gov. Steve Beshear and First Lady Jane Beshear. Improving education in Kentucky is the top priority for the Kentucky Chamber, and the Governor and First Lady are ardent supporters as well. Pictured from left is 2012 Kentucky Chamber Board Chair Luther Deaton (Central Bank & Trust), Mary Pat Regan (AT&T Kentucky), Gov. Steve Beshear and First Lady Jane Beshear.

Holliday addresses Leadership Institute

Kentucky Education Commissioner Terry Holliday addressed the 2013 Class of the Leadership Institute for School Principals in September. For more on the Leadership Institute, visit principalsleadky.com.



Adkisson, Allen talk education in N. Ky.

Kentucky Chamber President and CEO Dave Adkisson (above) and Hilliard Lyons CEO James Allen (left) addressed business leaders, school superintendents and the Northern Kentucky Chamber of Commerce Board of Directors about academic standards and workforce development during a visit on Sept. 26. Adkisson and Allen discussed the recently established Business Champions for Education (see page 7 for details) and the need for the business community to support the new education standards when test scores are released later this month.

Chamber participates in World Trade Day



Former Gov. Martha Layne Collins, the Chamber’s ambassador-at-large for international trade (left), and Jim Ford, vice president of Business Education (right), along with Jeanine Duncliff, of the Kentucky Export Initiative, participated in a discussion at Kentucky World Trade Day in Lexington on how Kentucky can increase international exports.

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Tax amnesty program begins

KENTUCKY is launching a Tax
Amnesty program allowing people
or businesses who owe back taxes
to the Commonwealth of Ken-
tucky to pay with no fees or
penalties. The threat of prosecu-
tion will be waived, and only half
the interest owed will be due.

The 61-day program kicked
off Oct. 1. Delinquent taxpayers
will soon receive mailed notifica-
tions stating the known amount
of back taxes. They have until the
end of November 2012 to apply.

Chamber publishes book on health care law

IN AN EFFORT to educate Kentucky business
leaders about the impact of the Affordable Care
Act, the Kentucky Chamber recently hosted a
series of day-long conferences and published a
guide on what the reform means to them.

The guide, written by Margaret Levi of
Wyatt, Tarrant & Combs, features chapters on:

- History of the Affordable Care Act
- Expanding Access to Health Insurance
- Expanding Health Insurance Coverage
- Limiting Health Care Costs
- Funding for the Affordable Care Act
- Program Integrity Provisions

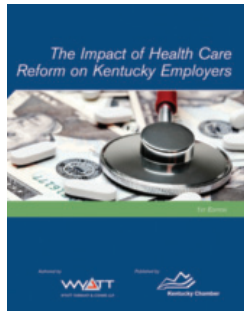
The conferences featured presentations on
accountable care organizations and a panel
discussion on health insurance exchanges. They

also covered how the
Supreme Court deci-
sion on PPACA affects
employers and em-
ployer-sponsored in-
surance plans.

To order, visit
hrkentucky.com/book-
store or call Lori Jo
Hill at 502-848-8727.

To access the guide today, you can subscribe to
HRKentucky.com and download in its en-
tirety.

Chamber Advantage Members will receive
an additional 25% off by calling to place their
order.



Chamber website gets a new look

IN SEPTEMBER, the Kentucky Chamber re-launched its website, thanks to help
from Lexington-based web developers Able Engine. With easy navigation, new
graphics and a cleaner look, finding
resources and registering for events is
a snap. New site features include:

- Links to Chamber news stories
- A list of options on how to get
involved with the Chamber
- A library of Chamber reports
and research like *Ready for Jobs?*
and *The Leaky Bucket*
- Small business member infor-
mation center

If you're having trouble locating
something, you can also try the "Search" feature located in the upper right-hand
corner of each page.

It's now easier than ever to purchase items from our bookstore and register for
educational seminars and business events. Just login to your Kentucky Chamber
account using your email address as your username. Your password is your first ini-
tial (uppercase) and last name (uppercase first letter). If your name is John Smith,
your password would be JSmith. However, if your first initial and last name are five
or fewer characters, you will spell out your full name (for example MaryBell, not
MBell).

We hope you'll find our website to be user-friendly. If you have questions, please
contact Communications Director Jessica Fletcher at jfletcher@kychamber.com. For
information about advertising on the Chamber's website, contact Andrea Flanders at
aflanders@kychamber.com.



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Business leaders advocating for educational excellence

A FEW YEARS BACK, a skeptical observer of Kentucky’s political and policy landscape made a comment that got some attention. The state’s business community, he said, had developed “a bad case of laryngitis” when it came to speaking out about important education issues.

In my view, the individual and collective efforts of employers on behalf of education over the years contradict that assertion to a significant degree. Still, there was some validity to the point: Kentucky’s employers on a statewide level seemingly were less involved in – and had less to say about – school improvement efforts than in the past.

Perhaps it was business’ prominence in earlier education debates that highlighted the contrast. The 1990 Kentucky Education Reform Act was arguably the most prominent example of business engagement, when leading employers helped carry the fight for changes that put the state on the right path toward improving its schools.

Vocal business support was again in evidence in 1997 when the state passed major reforms of the higher education system. And there have been numerous, lower-profile examples at the community and state level since then.

But Kentucky is once again at a critical place in its quest for educational excellence – a reality that has prompted employers from across Kentucky to come together to create the Business Leader Champions for Education. Our agenda: to push for dramatic improvement in the state’s schools and to support educators and students as they work to achieve excellence.

Business Leader Champions is a joint initiative of the Kentucky Chamber Foundation and the Prichard Committee for Academic Excellence. Our group is made up of corporate executives and other business leaders from across the Commonwealth who will serve as the employer voice in urging the state to provide an education of the highest possible quality for Kentucky’s citizens.

Our initial focus will be support for the new, tougher academic standards now being taught in Kentucky’s classrooms. These internationally benchmarked standards are focused on



Guest Commentary

By James Allen, Chairman of Business Leader Champions for Education and CEO of Hilliard Lyons

better preparing students for college and the workplace, something of critical importance to the state’s employers.

These changes hold great promise for helping Kentucky develop better informed and engaged citizens and a more highly skilled workforce that is better equipped to meet the needs of employers and ensure economic growth.

Kentucky’s schools have completed their first year operating under the new standards, tests have been given, and the scores are expected in the fall.

Business Leader Champions for Education will communicate to educators, students, parents, policy leaders and other Kentuckians about the vital importance of staying the course with the new standards – and the challenging

work they require – to build a world-class education system in the state.

This effort is part of an initiative of the Chamber Foundation, working in partnership with the Prichard Committee, to raise employer awareness of and support for the new standards. The initiative has the support of the Bill & Melinda Gates Foundation.

Business Leaders Champions for Education plans to speak up publicly about developments that it believes will help, or hinder, the state’s progress toward excellence.

We believe it is time for Kentucky’s employers to make ourselves heard, in an organized, positive and constructive way, about what we need our schools to be to ensure a prosperous future for the state and all of its citizens. We plan to be vocal in our support for schools, students and teachers as they work to make that stronger future a reality.



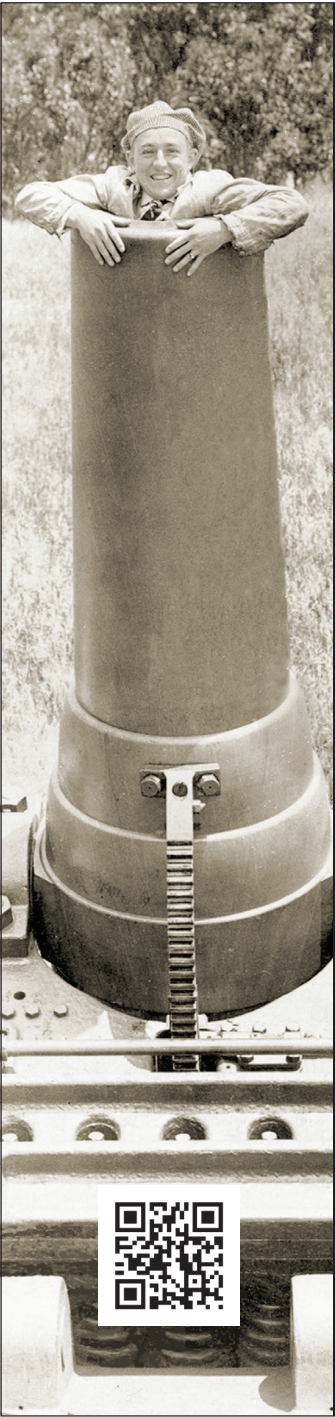
Business Leader Champions for Education

DOZENS OF BUSINESS LEADERS from across Kentucky have come together to push for dramatic improvement in the state’s schools and to support educators and students as they work toward that goal.

The Business Leader Champions for Education is chaired by James R. Allen of Louisville, CEO of Hilliard Lyons, and is a joint initiative of the Kentucky Chamber Foundation and the Prichard Committee for Academic Excellence. The group is made up of corporate executives and other business leaders from across the Commonwealth who will serve as the employer voice in urging the state to provide an education of the highest possible quality for Kentucky’s citizens.

- Dave Addisson**, Kentucky Chamber of Commerce
- James R. Allen**, Hilliard Lyons
- Bobby Arnold**, Republic Bancorp
- Rodney Bohannon**, Briggs & Stratton
- Tony Bohn**, Norton Healthcare
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- Dave Calzi**, Ernst & Young
- Kevin Canafax**, Fidelity Investments
- Rowan Claypool**, Teach Kentucky Inc.
- Brent Cooper**, C-Forward, Inc.
- Sam Corbett**, Sam Meyers
- Paul Costel**, Chase Kentucky
- John Crockett**, Frost Brown Todd
- Charles Denny**, PNC Bank
- Vince Gabbert**, Keeneland Association
- John Gant**, Carbide Industries
- Ed Glasscock**, Frost Brown Todd
- Jean Hale**, Community Trust Bancorp
- Paula Hanson**, Dean Dorton Allen Ford
- Joseph Hardesty**, Stites & Harbison
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- Jeff Kosse**, Fifth Third Bank

- William Lear**, Stoll Keenon Ogden
- Charles Maddux**, Propulsys, Inc.
- Pete Mahurin**, Hilliard Lyons Financial Services
- Tom Meeker**, retired, Churchill Downs
- Deb Moessner**, Anthem Blue Cross and Blue Shield of Kentucky
- Jerry Morris**, Southern Star Central Gas Pipeline
- Michael Mountjoy**, Mountjoy Chilton Medley
- Pat Mulloy**, Elmcroft Senior Living
- Mitch Nichols**, UPS Airlines
- Nick Nicholson**, Keeneland Association
- Cheryl Norton**, Kentucky American Water
- Tom Partridge**, Fifth Third Bank
- Eileen Pickett**, Greater Louisville Inc.
- Mary Pat Regan**, AT&T Kentucky
- Kevin Riddett**, Invensys Rail
- Paul Rooke**, Lexmark International Inc.
- Steve Rudolf**, Baptist Hospital East
- Ken Selvaggi**, WAVE 3-TV
- Mark Shirkness**, General Electric
- Stu Silberman**, Prichard Committee for Academic Excellence
- Barbara Sexton Smith**, Fund for the Arts
- Victor Staffieri**, LG&E and KU Energy LLC
- Steve Tarver**, YMCA of Greater Louisville
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news

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