



Board calls for performance audit of retirement system

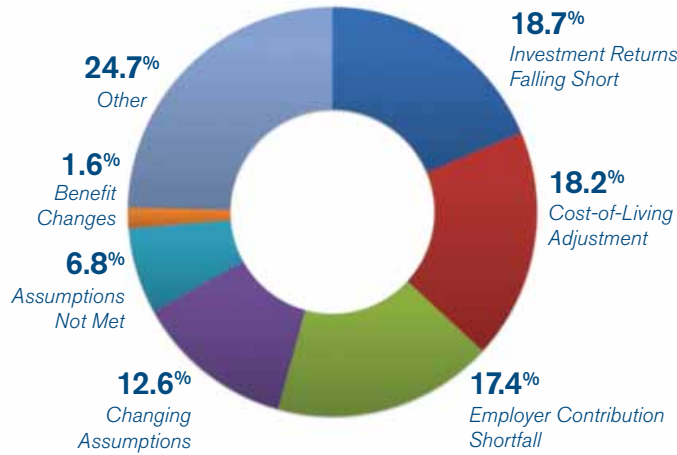
KENTUCKY has made progress in recent years in addressing the challenges facing its public employee retirement systems, but serious problems persist that pose a significant threat to the state's financial future.

The state's pension debt, an estimated \$13.9 billion in unfunded liabilities, has been cited as a key factor as national bond rating agencies have downgraded Kentucky in recent years. The lower rating means it costs more for the state to borrow money; that, in turn, can limit public building projects that create private sector jobs and grow the economy.

The Kentucky Retirement System (KRS), which covers most state government employees, excluding teachers who are covered under the Kentucky Teachers' Retirement System (KTRS), was reviewed by a task force in 2012. The task force concluded that several things contributed to the state's system becoming one of the worst funded in the country. One of contributing factors was the system's use of flawed actuarial assumptions.

Legislation in 2013 put important reforms in

How Kentucky's public pensions became underfunded *Funding and contribution figures for Kentucky Retirement Systems*



Source: Pew Charitable Trusts

place, but concerns persist about KRS investment practices, including such things as fees paid to investment advisors and placement agents, questionable hedge fund investments, below average investment returns and an overall lack of transparency regarding investment fees.

The Kentucky Chamber's Board of Directors has called on state Auditor Adam Edelen to conduct a performance audit of KRS in an effort to provide objective information about these and other matters.

Chamber calls on state auditor to examine ...

- How the investment performance of Kentucky's system compares to that of other states as well as the Kentucky judicial and legislative retirement plans.
- The reasons for any below-average performance in investment returns, such as: general investment strategy, allocation of assets, costs incurred in the investment process and other factors.
- How the cost of Kentucky's use of investment advisors, placement agencies and other investment personnel compares to that of other state systems.
- The policies in other state systems regarding the public disclosure of fees paid to investment advisors.
- The accuracy of the assumptions made by the Kentucky system's actuary about current liabilities and the amount of the actuarially required contribution compared to actual experience.
- Policies regarding the use of actuaries and other outside experts, particularly with respect to the number of years the same expert can be used.

With a watchful eye on P3s & pensions, Chamber sets 2015 goals

THE KENTUCKY CHAMBER'S 2015 Legislative Agenda was released Nov. 19, outlining the business community's goals for the 2015 General Assembly. The agenda places special emphasis on the need for public-private partnership (P3) legislation and financial transparency in Kentucky's pension systems.

Kentucky Chamber President and CEO Dave Adkisson has been touring cities around the state to spell out these goals.

"As we head into the 2015 General Assembly, there are a number of issues that could have a significant impact on the health of the business community," said Adkisson. "Our goal with this tour is to ensure our members and local chamber members are not only educated on those issues, but stay looped in as those issues continue to evolve during the session."

Adkisson says several legislative issues which the Chamber advocated heavily for in the 2014

session are still on the table as we move into the 2015 session.

"We were disappointed by the amendment that led to the Governor's veto of P3 legislation at the end of the 2014 session," said Adkisson. "This year, we will continue to push for passage of a comprehensive plan that will encourage the creation of partnerships between private companies and government to create jobs, while saving tax dollars and providing needed projects and services."

As for the state's pension system, Adkisson says the "day of reckoning has come."

"Our bond rating has already been downgraded three times. Kentucky's one of the worst states, frankly, among all 50 in terms of our total liabilities. So we have to continue to address our pension issue." He added, "Some major reforms were made in 2008 and 2013, but we've got to keep our eye on the ball because it's going to re-

quire a sustained commitment to solve the problem," he said.

The Chamber's legislative agenda is a comprehensive approach to creating a competitive business climate and investing in the future of the Commonwealth.

Adkisson noted, "Clearly, our agenda is a full one, and we know additional issues will emerge. As always, we look forward to the opportunity to represent the interests of employers as we work together to build a stronger future for our Commonwealth."



2015 Legislative Priorities

EDUCATION

- Kentucky's adoption of tougher academic standards was an important step toward ensuring that students are prepared to succeed in college and career. The Chamber will continue its support for protecting the state's new, rigorous standards.
- The Chamber will support the enactment of a charter school law to give all children access to a high-quality education.
- The agenda also includes support for early childhood education and for protecting school funding.

HEALTH & WELLNESS

- The Chamber will continue to support the creation of incentives for workplace-based wellness programs and enactment of a statewide smoke-free law.
- Improving the medical liability climate through medical review panels also is a priority item.

ENERGY

- Supporting and protecting Kentucky's low-cost energy advantage is a key priority. Supporting the infrastructure of the coal industry is key focus of this goal.
- The Chamber will advocate for policies that strive for energy independence and encourage a sensible regulatory approach.

KENTUCKY COMPETITIVENESS

- The Chamber supports pro-growth comprehensive tax reform which would include, among other items, a simplified tax code, a focus on prioritized government spending, and support of growth-oriented policies that would improve the competitiveness of Kentucky's business climate.
- Reforming Kentucky's telecommunications laws to spur investment in high-speed telecommunications infrastructure that supports business is an important priority.
- The Chamber supports an amendment to the Kentucky Constitution that would allow cities and counties the choice, with voter approval, to enact a local sales tax with a sunset provision, dedicated for the funding of transformational local projects.
- Right-to-Work legislation is needed to put Kentucky on a level playing field with surrounding states when it comes to business recruitment.



The Chamber's Public Affairs Team: Jacqueline Pitts, Blake Deeley, Ashli Watts, Dave Adkisson, Bryan Sunderland, Beverly Standifer and Betsy Dexter.

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Adkisson, Harris testify in support of modernizing telecom laws

KENTUCKY CHAMBER President & CEO Dave Adkisson joined AT&T Kentucky President Hood Harris and officials from the Cabinet for Economic Development Nov. 20 at the Interim Committee on Economic Development and Tourism to show support for modernizing Kentucky's outdated telecommunications laws. The Chamber has supported legislative efforts to modernize these laws for several years running and commends the Cabinet for Economic Development for coming to the table to show their support for this critical effort.

"For far too long, Kentucky has watched surrounding states take action to ensure their laws and regulations are compatible and competitive with the 21st Century digital world in which we operate," said Adkisson. "It is time to expand wireless and broadband infrastructure in Kentucky. Our members across the state have spoken. They want to see a more connected Commonwealth that allows them to better compete on the national and world stage."

In a 21st century global economy, development of our telecommunications infrastructure is as essential as roads, bridges and rail were in the last century. To support competitive widespread access to wireless and broadband services, Kentucky needs to update its laws and regulations to reflect the demands of our communications-based economy. Neighboring states like Indiana and Tennessee, in addition to most states across the southeast, have already taken these steps. Kentucky should modernize its telecommu-



Kentucky Chamber President and CEO Dave Adkisson (left) and AT&T Kentucky President Hood Harris testify in support of modernizing telecommunications laws.

nications laws and eliminate unnecessary and outdated retail-based regulatory burdens that serve only to stifle investment in the technology infrastructure upon which the jobs of the future will depend.

"Today was a major step toward addressing these critical changes for our future," said Adkisson. "We hope that the General Assembly will pay close attention to the words of the Cabinet for Economic Development and pass legislation that will propel us toward a fully connected digital future."

'Leaky Bucket' getting national attention

ONCE AGAIN, the Kentucky Chamber is receiving national recognition for its work to modernize state government spending with its "Leaky Bucket" reports. In a December article in the American Chamber of Commerce Executive's magazine "Chamber Executive," an article titled "Fixing the Leaky Bucket" discusses the success of the Chamber's work that ultimately resulted in devoting less tax money to prison costs and public pensions, and more to education.

"Unless uncontrolled prison expenditures were swiftly, deeply curbed, the report said, they would soon destroy Kentucky's ability to make progress on the issue that was the chamber's top priority: education," writer Peter Perl explains in the article. "Only by boosting school spending—from K-12 through college—could Kentucky become a vibrant place for workforce development and for the investment of new capital to create jobs and prosperity. But education spend-

ing, crowded out by prison growth, had alarmingly decreased by five percentage points as a portion of the budget."

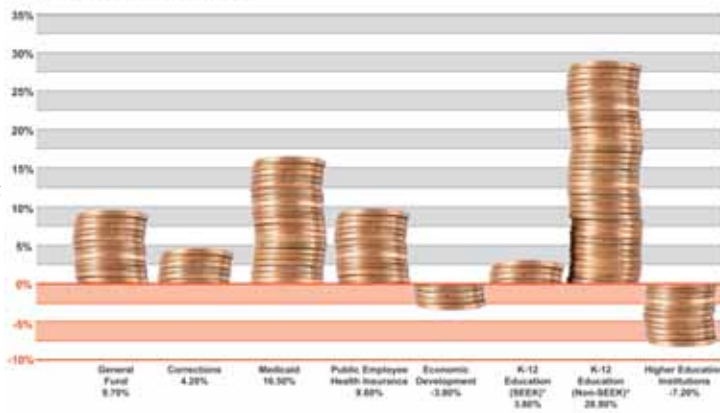
Ultimately, as a result of the "Leaky Bucket," legislation was passed in 2011 and 2013 that brought "comprehensive reforms to both the corrections system and then to the deeply troubled state public employee pension system."

Kentucky Senator Damon Thayer is quoted in the article, applauding the chamber's efforts.

"The Kentucky Chamber engaged on a level I've never seen it engage before," said Thayer. "It's one thing to say in a membership newsletter that you support a policy, but it's another thing

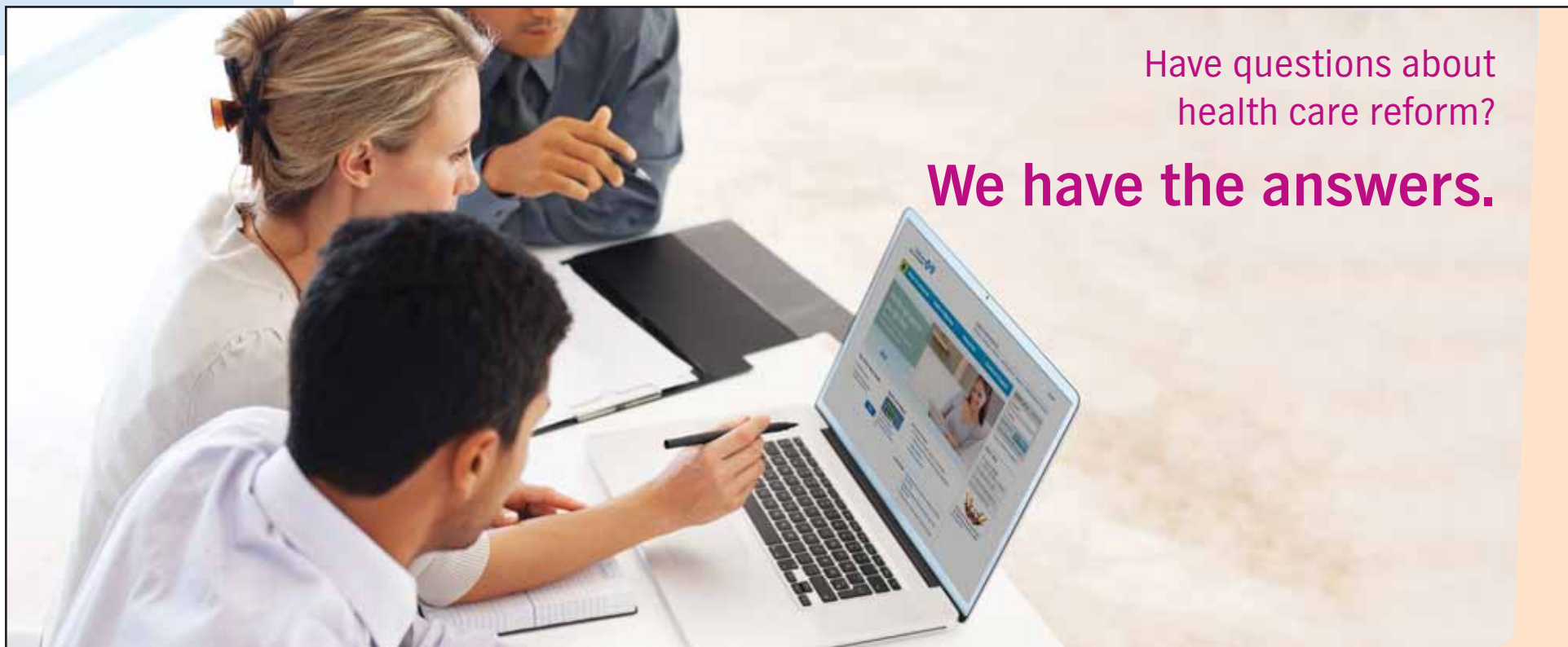
Growth in General Fund Expenditures

Selected State Programs FY 2012-16



altogether to fully engage all your resources — op-eds, public relations efforts, paid media. They came on the court as a starting player, and we were happy to have them come off the bench and play a major role."

Read the full article at acce.org/chamberexecutive/chamber-executive-magazine.



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More than 200 gather for inaugural Manufacturing Innovation Conference

THE KENTUCKY ASSOCIATION of Manufacturers and the Kentucky Chamber hosted the inaugural Kentucky Manufacturing Innovation Conference on Friday, October 24 at the Lexington Center in downtown Lexington. The conference is an initiative of BEAM, the Bluegrass Economic Advancement Movement, a partnership among the mayors of Lexington and Louisville and the Brookings Institution. More than 200 industry professionals gathered to discuss, share and learn about cutting edge manufacturing innovations and technologies that can help increase productivity, improve quality and add to the bottom line.

David C. Chavern, executive vice president of the U.S. Chamber of Commerce and president of the Center for Advanced Technology & Innovation (CATI), provided the opening keynote address titled, Advanced Manufacturing: Driving Productivity, Progress, and Prosperity.



David C. Chavern, executive vice president of the U.S. Chamber of Commerce and president of the Center for Advanced Technology & Innovation (CATI), provided the opening keynote address at the Kentucky Manufacturing Innovation Conference.

Kentucky Chamber Day set for Jan. 8

WHAT BETTER WAY to start off the new year than hearing what Kentucky's legislative leaders have to say about the coming business year? With the 20th Annual Kentucky Chamber Day, presented by Fidelity Investments, only a few short weeks away, you shouldn't delay if you want to reserve a seat or table at this important kick-off to the 2015 legislative session. You'll be seated alongside hundreds of business leaders from across Kentucky. The governor and the state's top four legislative leaders (all invited) will once again share their visions for the year ahead at the opening of the 2015 General Assembly. Kentucky Chamber Day will be held Jan. 8, 2015, in Heritage Hall at the Lexington Convention Center. Learn more or register online at kychamber.com or call 502-848-8727.

Sponsorship opportunities are available — for details, call Andrea Flanders at 502-848-8723 or email her at aflanders@kychamber.com. If you can't attend Chamber Day, you will still have a chance to hear from legislators. KET will be airing the event live on Jan. 12 and in its entirety several more times in mid-January. Visit KET.org to view the airing times.



Gov. Steve Beshear and legislative leadership will outline their priorities for the 2015 General Assembly at Kentucky Chamber Day.

Chamber to enhance news coverage of business related legislation

THE KENTUCKY CHAMBER will enhance its outreach and coverage of state policy issues this legislative session by delivering timely updates from Frankfort to the business community on the Chamber's blog, kychamberblog.com.

With the goal of closely monitoring the progress and facts of business-related legislation and delivering the behind-the-scenes knowledge of state government, this platform will serve as a source of the news begin-

ning with the 2015 session of the Kentucky General Assembly.

The Chamber has hired Jacqueline Pitts, a reporter who has covered the Kentucky legislature and politics as producer at [cn2 Pure Politics](http://cn2.com), to serve as Communications Manager. Pitts will be responsible for delivering up-to-date information about legislative and other state policy decisions being made in Frankfort that affect the business community.

Through a combination of explanatory interviews, videos, and various written media, we will boil down the facts about key issues and put them at your fingertips.

To stay in the loop, visit kychamberblog.com to sign up to receive email alerts when news is posted.

You can also follow the Chamber on Twitter at [@kychamber](https://twitter.com/kychamber).



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KENTUCKY CHAMBER KEY INVESTORS

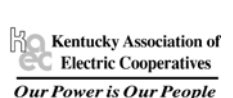
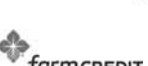
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Bourbon & our economy

Distilling now contributes \$3 billion in gross state product to Kentucky's economy every year, up from \$1.8 billion just two years ago.

More than 15,400 people owe their paychecks to the Bourbon industry, compared to 8,690 in 2012.

Payroll for those workers has skyrocketed to more than \$707 million from \$413 million in 2012.

Average salary for distillery employees is \$91,188.

Total capital investment will surpass \$1.3 billion in projects over a 10-year period starting in 2008.



Chamber applauds progress of bourbon industry

IN THE TIME it takes to age a Kentucky straight Bourbon, the Kentucky Bourbon industry has nearly doubled its workforce, tripled its number of distilleries, and set new modern records for exports and barrel inventories.

These are among the findings of a new economic impact study of the distilling industry recently announced by Gov. Steve Beshear and the Kentucky Distillers' Association. The study shows that the state's Bourbon business is not only booming, it's making a major mark on the state's economy.

In a news conference announcing the results of the study, Kentucky Chamber President and CEO Dave Adkisson applauded the efforts of Kentucky's bourbon industry.

"This signature industry for our Commonwealth is booming," said Adkisson. "It's adding much needed revenue to the state's economy and providing great jobs for Kentuckians."

"We all knew the Bourbon renaissance was taking this iconic industry to new levels, but this data is absolutely phenomenal," Gov. Beshear said. "The amount of progress is unrivaled and unparalleled. The Bourbon boom is real and producing results for all Kentuckians."

The 67-page report – the third study since 2010 – is the most comprehensive analysis ever conducted on the economic and fiscal impact of Bourbon and distilled spirits in Kentucky.



Kentucky Chamber President & CEO Dave Adkisson spoke at a news conference announcing a report on the progress made by one of Kentucky's signature industries - bourbon production. Download the report at kybourbon.com.

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Underwritten and administered by Anthem Blue Cross and Blue Shield, Chamber Advantage offers specially priced group health plans for members with 51-99 employees.



The Benefit Warehouse offers members with 50 or fewer employees access a variety of health insurance solutions such as individual coverage, defined contribution and other cost saving offerings.



Available to all members with 25 employees or more, the Employee Wellness Engagement Program by Kroger provides employees the Kroger Wellness Benefit. The program enables employees and adult family members to receive a personalized program to help the member improve clinical outcomes by setting goals and measuring success.



Lifestyle Health Plans has partnered with the Kentucky Chamber to help members control their health benefit costs by addressing the underlying cause of the escalating costs in healthcare today - employee health behaviors. Lifestyle Health Plans offers innovative, affordable health benefit solutions designed to save you money while improving the health and wellness of your employees.



Elizabeth McCoy (Planters Bank), Paula Hanson (Dean Dorton Allen Ford) and Trey Grayson (Northern Kentucky Chamber); Buzz English (English, Lucas Priest & Owsley), Linda Vitale (Manchester Capital), and Craig Browning (U.S. Bank); Luther Deaton (Central Bank) and Deirdre Lyons (Alltech); First Lady Jane Beshear, Jessica Parrish and Lynn Parrish (Marwood Land Company).

First Lady hosts Chamber leaders at Governor's Mansion



On Oct. 29, First Lady Jane Beshear hosted the Kentucky Chamber's Key Investors and guests at the Governor's Mansion in Frankfort. More than 100 attended the event, which was sponsored by Toyota and Planters Bank.

BELOW: Kentucky Chamber Chairman Wil James, Jr. (Toyota Motor Manufacturing of Kentucky), Elizabeth McCoy (Planters Bank), First Lady Jane Beshear, and Kevin Canafax (Fidelity Investments); Kim Shelton (JMI/UK Sports Marketing), and Steve Branscum (Branscum Construction); Billy Harper (Harper Industries), Mary Williams, and Lyle Hanna (Hanna Resources); Rebecca Trout (Kentucky Chamber), and Brian Nichols (Assured Neace Lukens).



Photos by Paul Atkinson

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DECEMBER 2014



Kentucky Chamber

Keeping an eye on the Capitol

With a watchful eye on P3s & pensions, Chamber sets 2015 goals

