

Investment Guide

Plan your path to financial wellness





Congratulations on your decision to participate in Kentucky Deferred Comp!

This interactive guide is designed to link you to information that can help you feel confident about investing. Kentucky Deferred Comp (KDC) makes it easy to get started.



This how-to guide will help you:

Select an investing approach.....Page 3 >

Understand our investment lineup..... Pages 4-6 >

Understand investing costs.....Page 7 >

Manage your KDC account Page 8 >

Investing involves risk, but you can manage it.

As you research the investment options available through Kentucky Deferred Comp, keep in mind that investing involves market risk, including possible loss of principal. No investment strategy or program can guarantee to make a profit or avoid loss, and there is no guarantee that investment objectives will be achieved. Actual results will vary depending on your investment and market experience.

Before investing in any fund, please consider its investment objectives, risks, charges and expenses carefully. The prospectus contains this and other important information about the investment company. Prospectuses and fund fact sheets are available by clicking the fund name in this document, visiting kentuckydcp.ky.gov or by calling 502-573-7925 or 1-800-542-2667.

Some funds available through KDC are subject to trading restrictions and charge redemption fees to help prevent excessive short-term or disruptive trading. Be sure you understand how these fees are applied before investing in these funds.

Kentucky Deferred Comp makes it easy to select funds

We continually evaluate the options available through our funds lineup so that asset classes are appropriately represented. That way, you can select funds based on your personal savings objectives and approach to diversification, as well as the level of market risk you're willing to accept.

Three ways to invest:



Help me do it:

Vanguard Target Retirement Funds >

- Pick the one fund closest to the year you expect to begin taking distributions
- The fund is passively managed, automatically rebalanced and designed to become gradually more conservative the closer you get to retirement



Do it myself:

Your own strategy >

- Select funds from KDC's fund lineup
- Use the [My Investment PlannerSM tool](#) for free recommendations
- Designate the funds you've chosen when you enroll in KDC



Do it for me:

Nationwide ProAccount[®] >

- Professional investment managers select funds from KDC's lineup based on your age, risk tolerance and investment goals
- These managers actively manage your account according to the information you provide



[Call us if you have questions](#) >



1 Help me do it

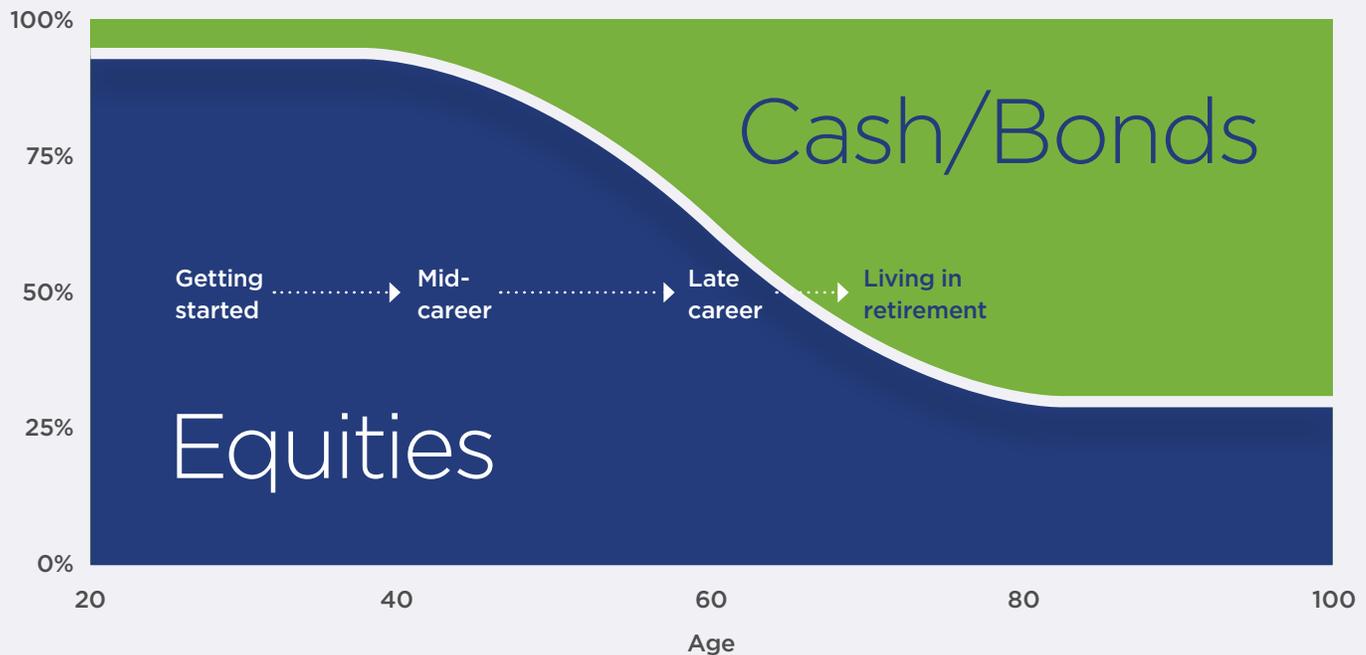
Vanguard Target Retirement Funds

- Vanguard Target Retirement Funds are designed for investors who expect to retire around the year indicated in the fund's name; they assume a retirement age of 65
- The mix of stocks, bonds and cash equivalents in this portfolio are automatically adjusted over time
- Investors can select an anticipated year of retirement, and the fund's portfolio gradually becomes more conservative as the target date approaches
- If you plan to retire significantly earlier or later, you may want to consider a fund more appropriate to your specific anticipated retirement date or situation

Retirement Income Target date: 2015 and prior years Ticker: VTINX Operating expenses: 0.08%	Retirement 2035 Target date: 2031 to 2035 Ticker: VTTHX Operating expenses: 0.08%	Retirement 2055 Target date: 2051 to 2055 Ticker: VFFVX Operating expenses: 0.08%
Retirement 2020 Target date: 2016 to 2020 Ticker: VTW NX Operating expenses: 0.08%	Retirement 2040 Target date: 2036 to 2040 Ticker: VFORX Operating expenses: 0.08%	Retirement 2060 Target date: 2056 to 2060 Ticker: VTTSX Operating expenses: 0.08%
Retirement 2025 Target date: 2021 to 2025 Ticker: VTTVX Operating expenses: 0.08%	Retirement 2045 Target date: 2041 to 2045 Ticker: VTIVX Operating expenses: 0.08%	Retirement 2065 Target date: 2061 to 2065 Ticker: VLXVX Operating expenses: 0.08%
Retirement 2030 Target date: 2026 to 2030 Ticker: VTHR X Operating expenses: 0.08%	Retirement 2050 Target date: 2046 to 2050 Ticker: VFIFX Operating expenses: 0.08%	Retirement 2070 Target date: 2066 to 2070 Ticker: VSVNX Operating expenses: 0.08%

How Vanguard Target Retirement Funds work

As noted above, a Target Date Fund's portfolio gradually becomes more conservative as you approach the target date. This is called a glide path, depicted in the image below.



The Vanguard Target Retirement Funds invest in a wide variety of underlying funds to help reduce investment risk. So in addition to the funds' expenses, investors pay a proportionate share of the expenses of the underlying funds. The funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.

2 Do it myself

Design your own investment strategy

Use our low-cost investment options that KDC has selected for overall value and ability to work together to help you keep your account diversified. As always, we're available to further explain these options.

INTERNATIONAL		
Growth American Funds EuroPacific Ticker: (RERGX) Operating expenses: 0.46%	Value Dodge & Cox International Stock Ticker: (DODFX) Operating expenses: 0.63%	
SMALL-MID CAP		
Growth T. Rowe Price Mid-Cap Equity Ticker: (PMEGX) Operating expenses: 0.61%	Blend Vanguard Extended Market Index Ticker: (VEMPX) Operating expenses: 0.04%	Value Principal Small-MidCap Dividend Income Fund (R6) Ticker: (PMDHX) Operating expenses: 0.79%
LARGE CAP		
Growth Fidelity Growth Company Ticker: (FDGRX) Operating expenses: 0.45%	Blend Vanguard Institutional Index Ticker: (VIIIX) Operating expenses: 0.02%	Value JPMorgan Equity Income (R6) Ticker: (OIEJX) Operating expenses: 0.47%
STABLE VALUE	BONDS	BALANCED FUND
Fixed Contract Fund 3 Operating expenses: 0.35%	Vanguard Total Bond Market Index Ticker: (VBTIX) Operating expenses: 0.04% MetWest Total Return Ticker: (MWTSSX) Operating expenses: 0.38% Invesco Gov't Short Term Ticker: (AGPXX) Operating expenses: 0.16%	Vanguard Wellington Fund Ticker: (VWENX) Operating expenses: 0.17%

Balanced funds — Generally have the objective to conserve investors' initial principal, pay current income and promote long-term growth. They typically invest in a mix of at least 25% in bonds and the remainder in stocks.

Blend funds — A mutual fund that includes a mix of growth and value stocks.

Bond funds — Debt securities issued by a corporation, the U.S. government or a governmental agency that represent a loan to the issuer. Bond funds have the same interest rate, inflation and credit risks that are associated with the underlying bonds owned by the fund.

Growth funds — A mutual fund that invests primarily in stocks and whose primary goal is capital appreciation as opposed to yielding income (dividends). These investments seek companies with the potential to grow earnings faster than their peers or the overall market.

International funds — Mutual funds that invest in foreign markets but exclude investment in the country where they operate. They typically involve risks such as currency fluctuation, political risk, differences in accounting and the limited availability of information.

Large-cap funds — Invest in the largest 5% of the 5,000 domestic equity companies and generally have a market capitalization (valuation) greater than \$10 billion. These are the larger, more established, profitable and well-known companies.

Short-term investments — Investments that yield regular interest payments and generally do not fluctuate in market

value. These investments could be placed in bank deposits, money market instruments, U.S. Treasury bills, guaranteed investment contracts (GICs), stable value funds, short-term bonds or fixed annuity products offered by insurance companies.

Small-to-mid (SMID) cap funds — Invests primarily in the stocks of smaller, lesser-known corporations that have a market capitalization (valuation) ranging from less than \$1.6 billion up to \$10 billion. Small or emerging companies may have less liquidity than larger, established companies. Therefore, funds investing in stocks of small or emerging companies may face greater price volatility and risk.

Stable value funds — This investment option is a separately managed account of high-quality bonds, including U.S. government securities, corporate bonds, mortgage-backed and asset-backed securities and cash equivalents owned by the Kentucky Public Employees' Deferred Compensation Authority. The account offers an interest rate based on a blend of the rates earned by all contracts in the fund, adjusted for differences between actual and expected earnings. Its blended rate should change in the direction of new investment rates and over time is expected to be comparable to returns of intermediate-term, high-quality bonds. Adjustments may reduce a contract's yield to zero but no lower. The fund seeks a consistent level of current income while preserving investment principal.

Value funds — A mutual fund whose investing strategy is to seek undervalued stocks.

3 Do it for me

Nationwide ProAccount[®]

You can get professional managers to select your investments from the KDC investments lineup based on your age and risk tolerance. Then they're monitored and adjusted to keep them on target with your goals. For an additional fee, you can engage these professional managers to manage

your KDC account according to the fee structure below. With this service, you receive ongoing support through periodic updates about your account and investments, quarterly statement notifications, and telephone support from registered investment adviser representatives.

	Account Balance	Fee
Advisor or Investment Management Fee	The first \$99,999.99	0.45%
	The next \$150,000	0.40%
	The next \$150,000	0.35%
	The last \$100,000	0.30%
	Assets of \$500,000 and above	0.25%

Nationwide ProAccount brings institutional strategies to your retirement account.¹

Those are big words, we know. Institutional investors are investment management companies that manage money for corporations, pensions and endowments. Retail asset allocation investors are individuals who manage their own portfolios. Research shows that the average institutional investor outperforms the average individual investor by more than 4% annualized over a 20-year period.

Nationwide ProAccount[®] is made available by Nationwide Investment Advisors LLC (NIA). NIA has hired Wilshire Associates Inc. as the independent financial expert to develop and manage the ProAccount portfolios. NIA monitors Wilshire's activities and results to make sure they stay on course, but Wilshire has sole control over how they invest. We leave it to them to do what they do best.



More about Operating Expenses and Fees:

1. Operating expenses featured on Pages 4-6 are expenses as of December 31, 2020. KDC [Investment Performance Reports](#) feature current quarter-end data and expenses.

2. The cumulative effect of fees and expenses can substantially reduce the growth of a participant's retirement account.²

3. Fees and expenses are only one of several factors that participants should consider when making investment decisions.²

See next page for more details.

¹ Source: DALBAR and Wilshire TUCS[®]. Average Equity Fund Investor, Fixed Income Fund Investor and Asset Allocation Fund Investor from the DALBAR Report. Average institutional investor data from Wilshire TUCS[®] is represented by the median total returns of master trusts — all plans as of 12/31/17. Past performance is not indicative of future results. All investing involves risk, including loss of principal.

² Source: DOL Reg 29 CFR 2550.404a-5 Fiduciary requirements for disclosure in participant-directed individual account plans.

Any investing involves costs

In all probability, you'll find our costs are much lower than those you would incur investing on your own

The maximum annual fee that any participant can be charged is \$237!
 (\$12 administrative fee and \$225 maximum for mutual fund asset costs)

KDC is attached to the Personnel Cabinet and was created by statute to provide a supplemental retirement savings plan for Kentucky state, education and local government employees. As such, we receive no financial support, and participants share our operating costs through administrative and account fees.

Administrative and account fees

Administrative — All participants pay \$1 per month (\$12 per year). Exception: new 457(b)/401(k) enrollees in their first year of participation. This exception does not apply to the IRA.

Mutual Fund — Each participant is assessed a portion of the annualized³ cost based on the first \$125,000 of the total balance in all mutual funds in which they invest, but \$225 is the most any participant can be assessed. **See the chart to the right.**

Reminder: Fund management companies also assess all investors a per-fund fee to cover their costs. These costs are reported as "operating expenses." See the operating expenses noted on Pages 4-6.

Fixed Contract Fund 3 — Participants invested in this fund are assessed an annualized³ fee of 0.32% of assets. The credited interest rate reported in quarterly statements is adjusted for this cost.

Inactive Account — A monthly \$6 inactive account fee is assessed to accounts with a balance of \$5,000 or less and that haven't received a contribution for six consecutive months. This fee does not apply to accounts of individuals who are:

- On military leave
- In active periodic payout status
- Beneficiaries
- Alternate payees

Total Balance	Cost
\$0	0.32% of first \$25,000
\$25,000	0.26% of next \$25,000
\$50,000	0.13% of next \$50,000
\$100,000	0.06% of next \$25,000
\$125,000	No additional cost for amounts over \$125,000

³ Annualizing a number means we've converted a rate of return over the course of a year (12 months) into an annual return rate.

Kentucky Deferred Comp

Your future. Your plan. Your way.

To manage your KDC account:



Log in to our interactive website
at kentuckydcp.ky.gov

Find your KDC Retirement Specialist



Call your local KDC Retirement Specialist or the
KDC office at **1-800-542-2667** or **502-573-7925**.
Local Retirement Specialist contact information
is available at kentuckydcp.ky.gov.

Frankfort-based Internal Retirement Specialists

1-800-542-2667, option 1

We are available to assist you by phone or in person
Monday through Friday, 8 a.m. to 4:30 p.m.



Information provided by your KDC Retirement Specialist is for educational purposes only and is not intended as investment advice.



Kentucky Deferred Compensation
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This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Nationwide Investment Advisors LLC (NIA) provides investment advice to plan participants enrolled in Nationwide ProAccount. NIA is an SEC-registered investment adviser. NIA has retained Wilshire® as an Independent Financial Expert for Nationwide ProAccount. Wilshire provides investment allocation portfolios based on participant ages and their personal tolerance for investment risk. Wilshire Associates is not an affiliate of NIA or KDC.

Investing involves market risk, including possible loss of principal. No investment strategy or program, including participation in Nationwide ProAccount, can guarantee to make a profit or avoid loss. Actual results will vary depending on your investment and market experience.

KDC Retirement Specialists are Registered Representatives of Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio. KDC Retirement Specialists and Plan Service Representatives cannot offer investment, tax or legal advice. You should consult your own counsel before making retirement plan decisions.

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