Kentucky Deferred Compensation

Program Summary

Summary of the benefits and features of the Kentucky Public Employees' Deferred Compensation Authority Plans

Kentucky Deferred Comp

Leading the way to financial security

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Why joining KDC is smart.

Kentucky Deferred Compensation (KDC) provides thousands of public employees in Kentucky with the opportunity to have a more financially secure future. It is your "one-stop-shop" for supplemental retirement planning that offers the following defined contribution savings plans and optional features:

457(b) Plan .. Pre-tax contributions

401(k) Plan ... Pre-tax contributions and includes the following additional options:

- Roth 401(k)........................... After-tax contribution option
- Deemed Roth IRA .... After-tax contribution option
- Deemed Traditional IRA .. After-tax contribution option

Consider these benefits:

- **Supplemental savings.** You may need a long-term investment savings plan to help meet your retirement goals. Chances are Social Security benefits, plus your state or other system retirement plan, will not provide enough income to maintain your current standard of living in retirement. Experts recommend you plan on replacing at least 80% of your current income in retirement. KDC lets you supplement your retirement with your own voluntary savings and investment plan to bridge any retirement income gap.
- **Convenience.** Saving under KDC is easy. You save through payroll deduction for the basic 401(k) and 457(b) Plans and either payroll deduction, if applicable, or direct pay for KDC's Deemed IRA programs. You will need to check with your employer to see if payroll deduction for IRAs is available.
- **Tax-deferred savings.** You pay no federal or state taxes on the portion of your income you contribute to the traditional pre-tax 457(b) and 401(k) plans, or on any of your investment earnings, until the money is paid out to you.
- **Potential for income tax savings.** You may also pay less in income taxes when you receive your distributions. First, you may be in a lower tax bracket after you retire. Second, as a result of pension legislation enacted by the Kentucky General Assembly, you may not pay Kentucky state income taxes on some or all of your distribution.
- **Investment flexibility.** You can select from a variety of investment options from well-respected fund managers. Through KDC, you can invest in mutual funds on a no-load basis.[1]
- **Making changes is easy.** You can make changes anytime (except for brief backup periods) on the website at www.kentuckydcp.com, or by contacting the KDC office in Frankfort, toll free at **1.800.542.2667** between the hours of 8 a.m. and 5 p.m. Eastern Time.[2]
- **No reduction in other benefits.** Your Social Security and retirement benefits are not affected by your contributions under KDC.

What is KDC?

KDC is a state agency authorized by the Kentucky Revised Statutes to provide administration of tax-deferred supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions electing to participate.

The Kentucky Public Employees' Deferred Compensation Authority (KDC) is administered under the direction of a Board of Trustees (Board). The investment options available under KDC are selected by the Board with the assistance of an investment consultant/advisor. Plan recordkeeping, communications and marketing services are currently being performed by Nationwide Retirement Solutions (NRS).

Plan Retirement Specialists are NRS employees who are authorized and licensed to explain the KDC Plans and the available investment options. However, they are not permitted to provide investment advice. If you need tax or investment advice, you should consult a tax or financial advisor. You can find contact information for your personal Retirement Specialist at www.kentuckydcp.com or call us at 1.800.542.2667 or 502.573.7925.

1 Fund company management fees apply. Please review the fund fact sheet or prospectus for more complete information.

2 Certain excessive trading restrictions may apply.

How does KDC work?

The chart below shows how pre-tax savings **impact** your take-home pay.

In this example, an employee with an annual salary of $30,000 contributing $50 per semi-monthly paycheck saves more than $8 in taxes each paycheck — or approximately $192 annually — by investing with pre-tax dollars through KDC instead of investing with after-tax dollars. So, in this example, it costs approximately $42 per paycheck to save $50. In a year, with pre-tax savings, it costs about $1,000 to save $1,200.

Also, the tax-deferral benefit of KDC means no current taxes are due on the interest or earnings until money is actually paid to you. Earnings compound without taxation, allowing a potentially greater savings accumulation over time.

	Pre-tax[3] with KDC	After-tax[4] without KDC
Gross paycheck (24 pay periods)	$1,250	$1,250
Pre-tax deferred compensation deferral	$50	——
Taxable income	$1,200	$1,250
Federal & state taxes* (includes Medicare & Social Security)	**$233**	**$244**
After-tax deduction	——	$50
Take-home pay	$967	$956

In this example, you save $11 per pay with pre-tax deferrals. $11 x 24 pay periods equals:

$264

in annual tax savings

Why should I participate in KDC now?

There are two important factors that may help your account grow — **time and compounding.** This hypothetical example illustrates the value of joining early.

The Power of Time and Compounding — A Tale of Two Employees[5]

At age 30, Donna began investing $1,200 per year for 10 years ($12,000) and stopped. Matt waited until he was 45, then began investing $1,200 per year for 20 years until he was age 65 ($24,000). Assuming a hypothetical 6% annual return on their investments, who do you think accumulated the larger account balance at age 65?

If you guessed Donna, who began investing earlier, you are correct. What made the difference? The power of time and compounding. Donna's investments had more time to compound. Compounding is simply your money earning money, and that money earning money, and so on. So, do not ignore the impact compounding and time can have on your nest egg. Although it is never too late to start saving, waiting can impact the amount you are able to save for your retirement future. Use time to your advantage and invest as much as you can throughout your career. Even conservative investing as illustrated in this example can potentially impact your plans for income in retirement.

3 Assumes 2016 tax rates for a married Kentucky taxpayer with no children, filing jointly, using standard deduction. Federal and Kentucky taxes are based on wage withholding tables.

4 Figures have been rounded for purposes of illustration.

5 Chart assumptions: This hypothetical illustration assumes a 25% tax rate, $50 semi-monthly deferrals (24 pays a year) for 25 years, and a 6% rate of return with reinvestment of income. The tax-deferred total does not reflect fees and expenses incurred under a particular investment. If these were taken into account, they would reduce the performance shown. This hypothetical information is not intended to predict or project the investment results of any specific investment. Investment return is not guaranteed and will vary based on your investments and market experience.

Available Investment Options

The following investment options are available to KDC 457(b) and 401(k) Plans:[6]

Tier 1 Target Date Funds and Balanced Fund

Target Date Funds

- **Designed for:** Those who want to invest in mutual funds, but are not comfortable making asset allocation decisions, or want decisions to be made for them on an ongoing basis.
- **Contains:** A series of funds designed around the approximate date you think you will retire and access your funds.
- **Mutual Fund Family:** Vanguard

Balanced Fund

- **Designed for:** Those who seek income or growth of income, with less emphasis on capital appreciation.
- **Contains:** An allocation to both stocks and bonds.
- **Mutual Fund Family:** Vanguard

Tier 2 Passively Managed Index Funds

- **Designed for:** Those who seek to replicate the performance of a specific market index.
- **Options:** A broad array of passively managed index funds.
- **Mutual Fund Family:** Vanguard

Tier 3 Actively Managed Funds

- **Designed for:** Those who desire to take a more active role in the creation and rebalancing of their portfolio.
- **Options:** A variety of actively managed funds from different firms offering various asset classes.
- **Mutual Fund Families:** Invesco, Federated, MetWest, PIMCO, Ivy, T. Rowe Price, AMG GW&K, Dodge & Cox.

Tier 4 Specialty Funds

- **Designed for:** Those who want to invest in specialty funds falling outside the realms of Tiers 1, 2, and 3.
- **Options:** A wide array of specialty funds.
- **Fund Families:** Invesco,* Franklin, Fidelity, American Funds, DFA, Aberdeen

*Manages Fixed Contract Fund 3

Tiered Spectrum

The Tiered Spectrum was established to help provide a simplified view of all your investment options and make it easier to navigate, identify your choices and take action based on your desired level of involvement and risk tolerance.

- Tier 1 is designed for the investor who is less comfortable making asset allocation decisions or those who would like someone else to make investment decisions for them on an ongoing basis.
- Tiers 2, 3, and 4 are designed for those who would like to build their own portfolios. Tiers 2 and 3 provide fund choices in the key asset categories: Tier 2 focuses on passively managed, lower-cost options while Tier 3 focuses on actively managed investment options. Tier 4 provides specialty funds falling outside the realms of Tiers 1, 2, and 3.

6 All investing is subject to risk, including the possible loss of the money you invest. Asset allocation and diversification do not ensure a profit or protect against a loss.

Before investing in any fund please consider its investment objectives, risks, charges and expenses carefully. The fund prospectus contains this and other important information about the investment company. Prospectuses are available by calling 502.573.7925 or 1.800.542.2667.

About the investment options

Your KDC Retirement Specialist is authorized to provide you with more information regarding specific investment options, and each option is profiled in KDC's Spectrum of Investment Options.

Fund fact sheets and prospectuses are available to provide you with additional fund information. Fund fact sheets and prospectuses can be obtained by calling 1.800.542.2667 or by accessing the KDC website. Read the prospectuses carefully before investing, and fully consider the funds' investment objectives, risks, charges and expenses. The fund prospectus contains this and other important information.

Deferrals

Minimum monthly payroll deferral amounts to KDC are described in the chart below:

457(b)	$30 minimum monthly contribution applies to your pre-tax 457(b) contributions
401(k)	One $30 minimum monthly contribution applies to the combined total of your 401(k) Plan traditional (pre-tax) and Roth (after-tax) contributions
Deemed Roth IRA	$30 minimum monthly contribution
Deemed Traditional IRA	$30 minimum monthly contribution

You can choose to allocate your deferrals among any of the specific investment options currently available under KDC. You may change your allocation for future deferrals or transfer existing balances over the phone by calling the Authority's Office in Frankfort, or on the website. Every effort is made to process your changes on the business day received as long they are fully entered into the recording system by 4 p.m. ET.

Your quarterly statement provides account totals, your transaction activity, KDC asset-based costs and service costs and your selected investment option values.

Asset-Based Costs

Because no state or other employer dollars are used to pay for the administration of this program, participants help cover the cost of administering KDC.

Fixed Contract Fund 3 account

The annual recordkeeping and administrative cost for this account is a flat .32 percent, plus applicable fund management costs, including wrap providers fees. The credited interest rate reported on your quarterly statement is already adjusted for these annual costs.

Mutual fund accounts

Participants do not incur mutual fund recordkeeping and administrative costs until one year after the date of their first investment. Underlying fund management costs still apply.

Beginning one year after the date of your first deferral, there is an annual recordkeeping and administrative cost, based on the first $125,000 of your total balance in all mutual funds. A portion of this is collected each month as follows:

- .32 percent on the first $25,000
- .26 percent on up to the next $25,000
- .13 percent on up to the next $50,000
- .06 percent on up to the next $25,000
- No additional fee on amounts over $125,000*

* As a result, the most you will pay in annual mutual fund asset costs is $225.

Administrative Costs

Each participant is assessed an administrative fee of $1.00 per month, except for new participants who are in their first year of participation.

Service Costs

The following service expenses will be separately assessed to the individual participant's account(s) requiring any of these additional individual services:

- Financial Hardships/Unforeseeable Financial Emergencies: $100 each after the first request
- Qualified Domestic Relations Orders (QDRO): $300 (split equally between parties, if possible)
- Transfers for the Purchase of Service Credit: $100 per transfer

Investing involves risk, including possible loss of principal.

- Loan origination: $100 per loan, plus a loan repayment cost of $2 per month until the loan is paid in full. Both are taken from the participant's account on a pro-rata basis, an interest rate on the outstanding loan balance also applies. All but 1% of the loan interest rate is credited to your account. This 1% represents an administrative cost to KDC.
- Loan Default: $50
- Inactive Low Balance: $6 per month will be charged to all accounts of $5,000 or less that have been inactive for six consecutive months. This does not apply to participants on military leave, those in active periodic payout status, beneficiary, and alternate payee accounts
- Insufficient Funds (NSF): $50 per returned check

457(b) Supplemental Retirement Plan

The 457(b) Plan, offered since 1975, is a deferred compensation plan authorized by Section 457(b) of the U.S. Internal Revenue Code for Kentucky state government, schools and universities, and local governments.

457(b) Plan Features

- Generally, you may defer up to 100% of your includable compensation, after deducting required contributions to the state retirement plan(s) up to the maximum dollar amount in effect for the year. You must, however, also allow for the withholding of FICA, local, and similar taxes which do not recognize pre-tax contributions as well as any other required payroll deductions such as health insurance, etc. The annual dollar limit for this year is $18,000.[7]
- Deferrals are contributed to the Plan as soon as practicable after clearing the State Treasury. Deferrals and earnings are held in trust in your name.
- A special "catch-up" provision (up to twice the annual maximum in deferrals per year) may be available in the three calendar years prior to the year you reach your normal retirement age. A separate catch-up provision is available for participants age 50 and over. This age 50+ catch-up amount is $6,000 this year and increases the total annual deferral limit to $24,000 for participants who are age 50 or older. The special catch-up and age 50+ catch-up provision cannot be used during the same calendar year.
- Benefits must begin by April 1 of the calendar year following the calendar year in which you reach age 70½.
- There is no additional 10% early withdrawal tax from the 457(b) plan.
- "Rollovers" of eligible distributions are permitted, upon the occurrence of a benefit event, within a 401(a), 401(k), 403(b) plan or IRA,[8] and assets may be "transferred" to or from another governmental 457(b) Plan. 457(b) Plan assets may be transferred to KRS, KTRS, or Judicial/Legislative Form to purchase service credits[9] (including "air time").
- Cafeteria Plan (or benefits) money cannot be invested in this Plan.
- Loans are available. The minimum loan amount is $1,000 (and the account balance must be at least $2,100). The maximum loan amount is 50% of your eligible account balance (not to exceed $50,000 for all outstanding loans).
- Withdrawals are permitted for an approved unforeseeable emergency while still employed and may be subject to a service cost (Page 6).

457(b) Benefit Events

Benefits are available after the occurrence of a benefit event. For the 457(b) Plan, benefit events are listed below:

1. **Severance from employment** (not working for any participating employer in any capacity)
2. **Age 70½** (regardless of whether or not you are still working) Benefits must begin by April 1 of the calendar year following the calendar year in which you reach age 70½
3. **Death or Disability**
4. **Unforeseeable financial emergency**[10]

An emergency withdrawal is a severe financial hardship resulting from:

- An illness or accident involving you, your spouse, or your dependent (as defined by the IRS); or

7 May be subject to IRS cost of living adjustments every January 1.

8 457(b) Plan assets rolled to a plan other than another 457(b) plan may become subject an additional 10% early withdrawal tax if distributed prior to 59½ from that other plan (unless an IRS exception applies).

9 A $100 fee is assessed to all KRS, KTRS and Judicial/Legislative Form Systems transfers.

10 You must also suspend contributions to the 457(b) and 401(k) Plan for 6 months after an unforeseeable emergency withdrawal or a hardship withdrawal.

- The loss of your property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowners insurance, such as a result of a natural disaster); or
- Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control.
  - *Withdrawals are permitted only to the extent the unforeseeable emergency cannot be relieved: (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidating your assets (to the extent this would not itself cause severe financial hardship); or (3) by stopping deferrals under the Plan.*
  - *Situations that may constitute unforeseeable circumstances include: a) the imminent foreclosure of or eviction from your primary residence; b) the need to pay for medical expenses, including non-refundable deductibles, as well as the cost of prescription drug medication; or c) the need to pay for the funeral expenses of your spouse or your dependent (as defined by the IRS).*
  - *Only the amount reasonably necessary to meet the emergency need is available for withdrawal. When an unforeseeable financial emergency withdrawal occurs, the participant's deferrals must be suspended for the following six months.*

5. **Minimum (De Minimis) account payout** Available for accounts that do not exceed $5,000 to which no contributions have been made within the preceding 24 months. You may elect this type of payout only once under the Plan.

401(k) Supplemental Retirement Plan

The KDC 401(k) Plan, offered since 1985, is a cash or deferral arrangement authorized under Section 401(k) of the U.S. Internal Revenue Code. This plan is available to the same entities as the 457(b) Plan.

401(k) Plan Features

- Generally, you may defer up to 100% of your includable compensation, after deducting required contributions to the state retirement plan(s) up to the maximum dollar amount in effect for the year. You must, however, allow for the withholding of FICA, local, and similar taxes which do not recognize pre-tax contributions as well as any other required payroll deductions such as health insurance, etc. The annual dollar limit for this year is $18,000.[11] Any contributions to a 403(b) plan must be included in determining the annual dollar limit.
- Deferrals are contributed to the Plan as soon as practicable after clearing the State Treasury. Deferrals and earnings are held in trust in your name.
- A catch-up provision is available beginning in the calendar year you turn age 50. The catch-up amount for this year is $6,000[11] and increases the annual deferral limit to $24,000 for participants who are age 50 or older.
- Loans are available. The minimum loan amount is $1,000 (provided your account balance is $2,100). The maximum loan amount is 50% of your eligible account balance (not to exceed $50,000 for all outstanding loans). Participants may borrow only against their before-tax account balance. You cannot borrow from any vested employer matching, employer supplemental contributions account (if applicable), benefits money account (if applicable), Roth 401(k) or Deemed IRA account balance(s).
- Withdrawals in the event of a financial hardship are available.
- In accordance with IRS regulations, benefits must begin by April 1 of the calendar year after the calendar year in which you reach age 70½ with the exception of the Roth IRA, which is not subject to Required Minimum Distributions during the participant's lifetime.
- Lump-sum distributions may be eligible for favorable tax treatment.
- "Rollovers" are permitted to a 401(a), 401(k), 457(b), 403(b) Plan, or IRA. 401(k) Plan assets may be transferred to KRS, KTRS or Judicial/Legislative Form to purchase service credits.[12]
- Both Roth 401(k) (after-tax contributions) and Deemed IRA (Roth and Traditional) accounts are available through the 401(k) Plan. See the following pages for details about the Roth 401(k) option and Deemed IRA accounts available through the 401(k) Plan.

Note: Current deferrals to another tax-deferred plan such as a 403(b) plan could reduce the annual dollar limit under the KDC 401(k) Plan (but not the 457(b) Plan). Roth 401(k) contributions also coordinate with traditional pre-tax 401(k) contributions.

11 May be subject to IRS cost of living adjustments every January 1.

12 A $100 fee is assessed to all KRS, KTRS and Judicial/Legislative Form Systems transfers.

401(k) Benefit Events

Benefits are available after the occurrence of a benefit event. For the 401(k) Plan, benefit events are listed below:

1. **Severance from employment** (not working for any participating employer in any capacity). Payments prior to age 59½ may be subject to an additional 10% early withdrawal tax. Note that you are eligible to receive payment of your 401(k) account assets without the additional 10% early withdrawal tax if you are:

- Separated from service and elect a lifetime distribution; or
- Age 59½, regardless of your employment status; or
- Retired or separated from your participating employer during or after the calendar year you attain age 55

2. **Age 59½** (regardless of whether or not you are still working)
3. **Death or total disability**
4. **Financial hardship distribution**[13]

After exhausting all other financial resources, you may withdraw only your cumulative deferrals (excluding any earnings, employer matching contributions, Roth 401(k) contributions, supplemental contributions, or cafeteria plan/benefits money) and your rollover account, if applicable, for an immediate and heavy financial need which includes:

- Uninsured medical cost to you or your legal dependents
- Prevention of eviction from or foreclosure on your principal residence
- Uninsured property damage to your primary residence due to unforeseeable circumstances beyond your control/necessary repairs to participant's principal residence
- Unforeseeable loss of family income
- Tuition, related education fees and room and board for the next 12 months of post-secondary education for you, your spouse, child, or legal dependent
- Purchase of your principal residence
- The need to pay for the funeral expenses of your spouse or dependent (as defined by the IRS)

5. **Benefits must begin by April 1 of the calendar year following the calendar year in which you reach age 70½, even if you continue to work.**

Roth 401(k) Contribution Option

Roth 401(k) Highlights

- If you are or become a participant in the KDC 401(k) Plan and you are actively employed by a participating employer, you may elect to make designated Roth 401(k) contributions.
- Unlike a Roth Individual Retirement Account (IRA), you can elect to make Roth 401(k) contributions regardless of your income level.
- Contributions are made through payroll deductions just like your other KDC accounts, except your contributions are made "after-tax."
- You may divide your contributions between Traditional pre-tax and Roth after-tax 401(k) accounts but you cannot recharacterize the assets in those accounts after your initial designation of pre-tax or after-tax contributions is made.
- Because your Roth 401(k) contribution is taxed differently when withdrawn, your Roth 401(k) contributions and any earnings are maintained in a separate account. The total **combined** amount you may contribute into a Traditional pre-tax 401(k) and Roth after-tax 401(k) accounts is $18,000 this year[14] (unless you will be at least age 50 during the year, in which case the annual contribution limit becomes $24,000).
- Any matching employer contributions are always made on a pre-tax basis, regardless of whether you are contributing on a pre-tax or after-tax basis.
- Similar to traditional pre-tax 401(k) plan accounts, payout from a Roth 401(k) account may begin at 59½ or after retirement, whichever comes first. The difference is that no federal or, potentially, state taxes are due on the earnings if: 1) the Roth 401(k) account has been in existence for a five-year period (the five-year period begins Jan. 1 of the year you first make a Roth 401(k) contribution into the plan regardless of when contributions began during the first year) and 2) you are age 59½, or have died or become disabled, as defined by the IRS.
- Required minimum distributions (RMD) begin at age 70½ unless the Roth 401(k) is rolled into a Roth IRA, which does not require minimum distributions except for beneficiaries.

13 An additional 10% early withdrawal tax may apply on a financial hardship withdrawal, unless an IRS exception applies. You must also suspend contributions to the 457(b) and 401(k) Plan for six months after an unforeseeable emergency withdrawal or a hardship withdrawal.

14 May be subject to IRS cost of living adjustments every January 1.

Qualified Distributions

Generally, a Roth 401(k) account distribution is a qualified distribution and not subject to federal income tax if: 1) the Roth 401(k) account has been in existence for a five-year period (the five-year period begins Jan. 1 of the year a participant first makes a Roth contribution into the plan), and 2) a participant is age 59½, or has died or becomes disabled under IRC Section 72(m)(7). Distributions made prior to these requirements being met are nonqualified distributions, and earnings are taxable.

Roth 401(k) contributions are after-tax, for both federal and state taxes purposes. The only tax remaining to be paid is on the earnings if withdrawn before becoming a qualified distribution.

Deemed Roth and Traditional IRA Contribution Options

A Deemed Individual Retirement Account (IRA) allows you to contribute and invest money in a separate individual retirement account through a retirement plan such as the KDC 401(k) Plan. In contrast, a regular IRA is opened through a bank or other financial institution. Deemed IRA contributions are not counted toward the annual contribution limits associated with the 457(b) and 401(k) KDC Plans and are separately accounted for in participant records.

What are the primary differences between the Roth 401(k) and Deemed Roth IRA?

- A Roth 401(k) option has a higher annual contribution limit than the Deemed Roth IRA.
- Roth 401(k) annual contributions coordinate with traditional pre-tax 401(k) annual contributions; Deemed Roth IRA contributions do not.
- Deemed Roth IRA contributions do not have to be payroll deducted. A direct pay option is available.
- Roth 401(k) accounts are subject to the 401(k) Plan withdrawal rules. Deemed Roth IRA withdrawals can be made at any time and without requiring a benefit event.
- Roth 401(k) Plans have required minimum distributions (RMDs); Deemed Roth IRAs are not subject to RMDs during the participant's lifetime.
- Deemed Roth IRAs are subject to Internal Revenue Code (IRC) section 408A, while the Roth 401(k) is subject to IRC section 401(k).

Deemed IRA Highlights

- You receive the same administrative benefits as those associated with your 457(b) and 401(k) Plans: low fees, quality investment options, superior customer service, and simplification through the consolidation of all your supplemental retirement savings programs.
- You contribute into your Deemed IRA through payroll deduction (provided your employer has agreed to withhold from your check) or direct payment (regular personal checks, money orders or certified checks written for a minimum of $100 per direct payment), subject to IRA annual limits. Direct payments can be submitted only once a month.
- Asset fees will be based on the total value of all your KDC account balances, including the Deemed IRA(s). This will enable you to lower your supplemental retirement savings expenses.
- KDC separately accounts for assets and activity in a Deemed IRA account.
- You access all of your account information with one website, one toll-free number, and one quarterly statement.
- Deemed IRA contributions are not counted toward the annual 457(b)/401(k) plan annual limits.

Other Important Deemed IRA Information

- KDC's 457(b) and 401(k) Plans' first-year-free provision on mutual fund investments **does not** apply to the Deemed IRA.
- You may designate a beneficiary for your Deemed IRA. If you do not designate a beneficiary, plan provisions regarding beneficiaries will apply to your Deemed IRA account(s).
- Employees of participating employers that do not offer payroll deduction may establish and maintain a Deemed IRA account through the direct pay option ($100 minimum check amount and direct payments can be made no more frequently than monthly).
- Deemed Roth IRA account balances **cannot** be used to purchase service credit.
- A minimum monthly after-tax contribution via payroll deduction of $30 is required per IRA.
- Deemed IRA account balances are not eligible for loans.
- A $5,500 after-tax aggregate contribution of earned income to all IRAs is allowed in this year and may be indexed in $500 increments thereafter by the IRS. In addition, for those age 50 and above, annual catch-up contributions up to $1,000 in the aggregate from all IRAs (both Traditional and Roth) are allowed.[15]

15 May be subject to IRS cost of living adjustments every January 1.

Your Benefit Payment Options

Both the 457(b) and 401(k) Plans offer flexible payment options, including the following:

- Total lump-sum distribution
- Partial lump-sum distribution
- Installment payments for a fixed period or over your life expectancy
- Fixed dollar payments
- You may also choose to leave your assets in the Plan for payment at a later date. Payments must begin no later than April 1 of the calendar year following the calendar year you reach age 70½.

Benefit Payment Information

- You may choose (or change) your method of payment for each Plan at any time. To do so, you must complete a distribution form. Both Plans provide for an automatic payout process if you do not choose a method of payment by your IRS required beginning date at age 70½.
- You can choose a beneficiary (to receive your benefits if you die) at the time you enroll. You may change your beneficiary at any time by completing and having the Authority accept a new Beneficiary Designation Form (BDF), which will supersede any previous BDF.
- Legal dependent is defined by Internal Revenue Code section 152.
- An additional 10% early withdrawal tax may apply if payment is made to you from your 401(k) Plan prior to age 59½, unless an exception applies.
- An additional 10% early withdrawal tax may apply on hardship distributions taken before age 59½ from the 401(k) Plan unless an exception applies. You must also suspend contributions to the 457(b) and 401(k) Plans for six months after an unforeseeable emergency withdrawal or a hardship withdrawal. A fee of $100 will be assessed against your account if more than one 401(k) financial hardship or 457(b) unforeseeable emergency withdrawal is taken.
- Tax rules vary for each of the Plans offered by KDC. See prior sections regarding taxation on distributions for each plan type.

Our Payout Counselors can assist you with your payout options. Call **1.800.542.2667** or **502.573.7925.**

Or visit **www.kentuckydcp.com** for additional payout information, including forms.

Contact your tax advisor for more information regarding tax implications resulting from a particular payout.

Because the Plans are designed for retirement purposes, the governing Internal Revenue Code provides restrictions on the timing and manner of benefit payments.

Kentucky Deferred Comp

Leading the way to financial security

Need assistance? We can help.

Visit our interactive website at **www.kentuckydcp.com** to review your account and make changes.

Call your KDC Retirement Specialist at **1.800.542.2667** or **502.573.7925** to review your account and make account changes.

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