

**457 Plan**  
**401(k) Plan**

- Traditional (Pre-tax) and Roth (After-tax) 401(k)
- Deemed Roth IRA
- Deemed Traditional IRA



Corvette Museum, Bowling Green



Louisville Skyline

*A smart choice for your future.*

# Program Summary

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

Designed especially for employees of  
Kentucky state and local governments,  
public school systems, and public universities.

WEBSITE [www.kentuckydcp.com](http://www.kentuckydcp.com)

CUSTOMER SERVICE LINE 1.800.542.2667 or 502.573.7925



# Why joining KDC is smart.

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Kentucky Deferred Compensation (KDC) provides thousands of public employees in Kentucky with the opportunity to bridge their retirement gap. It is fast becoming your “one-stop-shop” for retirement planning since it offers the following supplemental retirement plans and optional features:

▶ **457 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 automatic payroll deduction and either payroll deduction 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.** Tax deferral means your investments have the opportunity to grow faster. You pay no federal or state taxes on the portion of your income you contribute to the traditional pre-tax 457 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 never pay Kentucky state income taxes on a significant portion 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.\*
- **Making changes is easy.** You can make changes on the website at [www.kentuckydcp.com](http://www.kentuckydcp.com), or with SAVER, our telephone voice response system (800.793.4401). Both approaches allow you to check on your account balance, transfer money between funds,\*\* and more — any time of the day or night (except for brief backup periods). You may also make changes by contacting the KDC office in Frankfort, toll free at 800.542.2667 between the hours of 8 a.m. and 5 p.m. (ET).
- **No reduction in other benefits.** Your Social Security and retirement benefits are **not** affected by your contributions under KDC.

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

\*\* Certain excessive trading restrictions may apply.

# What is KDC?

KDC is authorized under the Kentucky Revised Statutes (18A.230 – 18A.275) to provide administration of tax-deferred supplemental retirement plans for all state, public school and university employees, and employees of local political subdivisions that have elected to participate.

The Kentucky Public Employees' Deferred Compensation Authority administers KDC, under the direction of a Board of Trustees. The investment options available under KDC are selected by the Board of Trustees, with the assistance of an investment consultant/advisor. Plan recordkeeping, communication, and enrollment services are currently being performed by ING.

Plan Service Representatives are ING employees who are authorized and licensed to explain KDC and the available investment options. However, they are not permitted to provide investment advice. To contact your local Plan Service Representative call (toll free) 800.793.4401 and leave a message. If you need tax or investment advice, you should consult a tax or financial advisor.

An ING Representative may be contacted toll free at **800.542.2667** or **502.573.7925**.

*The tax information in this brochure is only for illustrative purposes. If you need tax or investment advice to see how participation in KDC might impact your personal tax situation, consult a tax or financial advisor.*



# How does KDC work?

	Pre-tax** with KDC	After-tax** without KDC
Gross paycheck (24 pays)	\$1,250	\$1,250
Pre-tax deferred compensation deferral	\$50	—
Taxable income	\$1,200	\$1,250
Federal & state taxes* (includes Medicare & Social Security)	\$224	\$235
After-tax deduction	—	\$50
<b>Take home pay</b>	<b>\$976</b>	<b>\$965</b>

The chart to the left shows how pre-tax savings can have a positive impact on your take home pay.

In this example, an employee with an annual salary of \$30,000 contributing \$50 per semi-monthly paycheck saves \$11 in taxes each paycheck — or \$264 annually — by investing with pre-tax dollars through KDC instead of investing with after-tax dollars. So, in this example, it only costs \$39 per pay check to save \$50. In a year, with pre-tax savings, it only costs \$936 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.

**\$264** in annual tax savings

(\$235-\$224 = \$11 saved per paycheck.  
\$11 x 24 pay periods = \$264)

\* Assumes 2010 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.

\*\* Figures have been rounded for purposes of illustration.



Kentucky Horse Farm

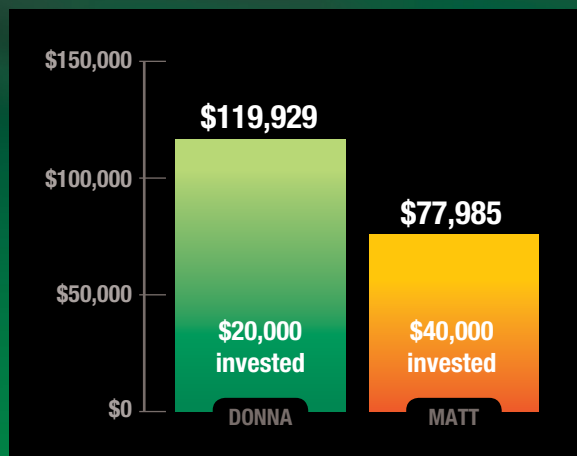
# Why should I participate in KDC now?

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

At age 30, Donna began investing \$2,000 per year for 10 years (\$20,000) and stopped. Matt waited until he was 45, then began investing \$2,000 per year for 20 years until he was age 65 (\$40,000). 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. The lesson to be learned here is — use time to your advantage.



*Investments involve market risk including possible loss of principal. Past performance cannot guarantee future results. This hypothetical illustration assumes a 6% annual rate of return and is intended to illustrate the effects of time and compounding on investments. It does not represent the actual performance of any investment under KDC and does not reflect any applicable fees or taxes. It is not intended to predict or project investment results.*

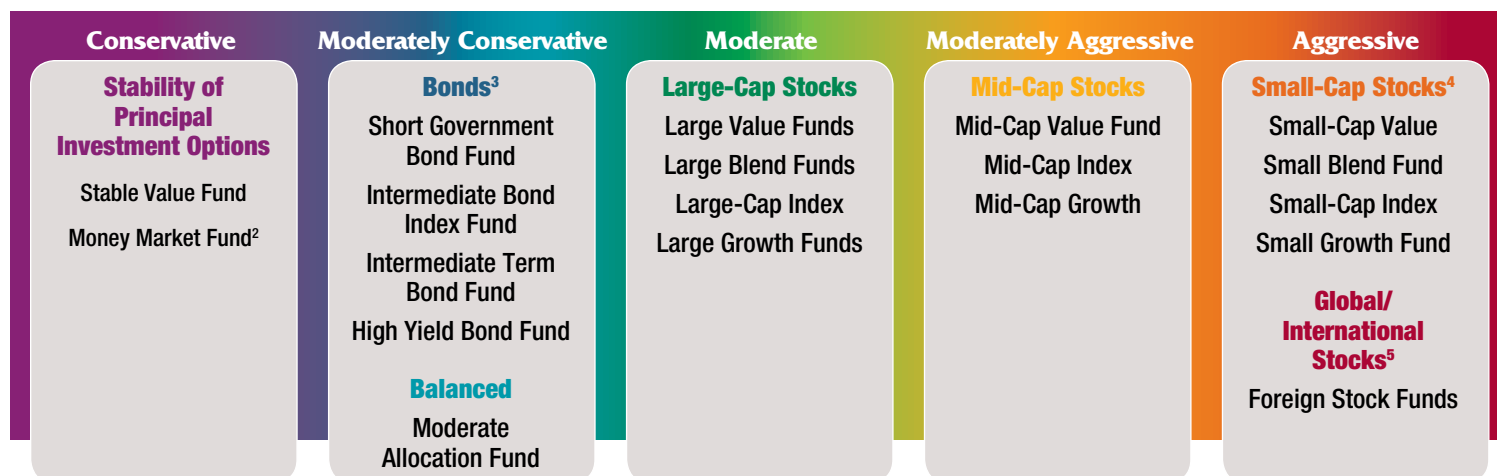
## Available investment options

The investment options described in the KDC Spectrum of Investment Options are available under the KDC 457 and 401(k) Plans.

### 1 Target Date (Lifecycle) Funds<sup>1</sup> (Outsourced to professional money managers)



### 2 Do-it-yourself Portfolios



Additional information about the investment categories is included in the Spectrum of Investment Options. Your KDC Plan Service Representative is available to meet with you and answer your specific questions.

# About the investment options

Your KDC Plan Service Representative is authorized to provide you with more information regarding specific investment options. Along with this Program Summary brochure, you will receive a Spectrum of Investment Options.

Fund fact sheets and prospectuses are available to provide you with additional fund information. Fund fact sheets and fund prospectuses can be obtained by calling 800.542.2667, by accessing the KDC website or by calling the SAVER Line. Read the prospectuses carefully before investing, and carefully 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	\$30 minimum monthly contribution applies to your pre-tax 457 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 either the SAVER Line or 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 received and entered by 4 p.m. ET.

Your quarterly statement provides account totals, your transaction activity, KDC asset fees assessed, and your selected investment option values.

## Asset Fees

To help cover the cost of administering KDC, participant account(s) are subject to an asset fee. No state or other employer dollars are used to pay for administration of this program.

### Fixed Contract Fund 3 account

The annual recordkeeping and administrative fee for this account is a flat .32 percent. In addition, fund management fees are .24 percent, including wrap fees. The credited interest rate reported on your quarterly statement is already adjusted for these annual fees.

### Mutual fund accounts

Participants are not charged mutual fund record keeping and administrative fees until one year after the date of their first investment.\* Underlying fund management fees still apply.

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

The fee is described below:

- .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 fees is \$225.

\*The waiver of the asset fee during the first year does not apply to the Fixed Contract Fund 3 asset fee.

## Service Fees

The following service fees 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 each
- Loan origination fee: \$100 each
- Loan default fee: \$50 each
- Inactive Low Balance Account fee: A \$6 per month administrative fee is assessed on all accounts of \$5,000 or less that have been inactive for six consecutive months. This fee does not apply to participants on military leave, those in active periodic payout status, beneficiary, and alternate payee accounts.
- Insufficient funds fee (NSF): \$50 per returned check.

*Note: Investing in mutual funds involves market risk. Furthermore, no guarantees or representations are made by the Commonwealth, the Authority, Plan representatives or your employer regarding any of the investment options available under the Plans.*



### The SAVER Line — 800.793.4401

... is always available to you for account information and to change your investments if your objectives change. Or, you can visit our interactive website at [www.kentuckydcp.com](http://www.kentuckydcp.com).

1) Fidelity Freedom Funds portfolios are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying Fidelity funds. Therefore, you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds. Fidelity Freedom Funds are designed for investors expecting to retire around the year indicated in each fund's name. Except for the Freedom Income Fund, the funds' asset allocation strategy becomes increasingly conservative as it approaches the target date and beyond. Ultimately, they are expected to merge with the Freedom Income Fund. The investment risks of each Fidelity Freedom Fund change over time as its asset allocation changes. They are subject to the volatility of the financial markets, including equity and fixed income investments in the U.S. and abroad and may be subject to risks associated with investing in high yield, small cap and foreign securities. Principal invested is not guaranteed at any time, including at or after their target dates.

2) An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although the money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the money market fund.

3) Bond funds have the same interest rate, inflation and credit risks which are associated with the underlying bonds owned by the fund. Funds that invest in high-yield securities are subject to greater credit risk and price fluctuations than funds that invest in higher-quality securities.

4) Small company funds involve increased risk and volatility.

5) International investing involves additional risks including: political instability, currency fluctuations, differences in accounting standards, and foreign regulations.

# 457 Supplemental Retirement Plan

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

## 457 Plan Features

- Generally, you may defer up to 100% of your includible compensation, after deducting 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 2011 is \$16,500.<sup>1</sup>
- 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 \$5,500 in 2011 and increases the total annual deferral limit to \$22,000 for participants who are age 50 or older in 2011. The special catch-up and age 50+ catch-up **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 IRS 10% penalty tax for early distributions.
- “Rollovers” of eligible distributions are permitted<sup>2</sup>, upon the occurrence of a benefit event, to a 401(a), 401(k), 403(b) plan, 457(b) plan, or IRA, and assets may be “transferred” to or from another 457 Plan. 457 Plan assets may be transferred to KRS, KTRS, or Judicial/Legislative Form to purchase service credits<sup>3</sup> (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 fee (see page 5).

### Both the 457 and 401(k) Plans offer you:

Pre-tax deferrals.

Easy investing through payroll reductions.

Flexibility in changing the amount or percentage of your future deferrals.

Diversified investment options and the ease of transfers among them with no exchange fee. Redemption fees and purchase blocks may apply to certain options. Additional trading restrictions may also apply.

A variety of benefit payment options.

Ability to rollover assets from prior plans into the 401(k) or complete a plan-to-plan transfer into the 457 Plan.

## 457 Benefit Events

Benefits are available after the occurrence of a benefit event.

For the 457 Plan, benefit events are listed below:

### 1) Severance from employment

(not working for a 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

### 4) Unforeseeable financial emergency<sup>4</sup>

An emergency withdrawal is a severe financial hardship resulting from:

- An illness or accident involving you, your spouse, your dependent (as defined by the IRS);
- The loss of your property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner’s 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 only elect this type of payout once under the Plan.

# 401(k) Supplemental Retirement Plan

The 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 Plan.

## 401(k) Plan Features

- Generally, you may defer up to 100% of your includible compensation, after deducting 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 2011 is \$16,500.<sup>1</sup> 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 year you turn age 50. The catch-up amount for 2011 is \$5,500 and increases the annual deferral limit to \$22,000 for participants who are age 50 or older in 2011.
- 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), or Roth 401(k) or Deemed IRA account balance(s).
- Withdrawals in the event of a financial hardship are available.
- Benefits must begin by April 1 of the calendar year after the calendar year in which you reach age 70½.
- 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<sup>2</sup>. 401(k) Plan assets may be transferred to KRS, KTRS or Judicial/Legislative Form to purchase service credits.<sup>3</sup>
- Both Roth 401(k) (for after-tax contributions) and Deemed IRA (Roth and Traditional) accounts are available through the 401(k) Plan. See pages 8-9 for details about the Roth 401(k) option and Deemed IRA accounts available through the 401(k) Plan.
- Certain employers may offer a matching employer contribution, excluding IRA contributions, as well as an employer supplemental contribution.

## 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 a participating employer in any capacity).  
Payments prior to age 59½ may be subject to an IRS 10% penalty tax.
- 2) Age 59½**  
(regardless of whether or not you are still working)
- 3) Death or total disability**
- 4) Financial hardship distribution<sup>4</sup>**  
After exhausting all other financial resources, you may withdraw only your cumulative deferrals (excluding any earnings, employer matching contributions, Roth 401(k) contributions, and 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
  - 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, or dependent
  - Purchase of your principal residence
- 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.**

*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 Plan). Roth 401(k) contributions also coordinate with traditional pre-tax 401(k) contributions.*

*1) May be subject to IRS cost of living adjustments every January 1. Jan. 1, 2011 = \$16,500, and indexed thereafter.*

*2) 457 Plan assets rolled to a plan other than another 457(b) plan will become subject to the IRS 10% penalty tax if distributed prior to 59½ from that other plan (unless an IRS exception applies).*

*3) A \$100 fee is assessed to all KRS, KTRS and Legislative /Judicial Form Systems transfers.*

*4) A 10% penalty tax may apply on a financial hardship withdrawal, unless an IRS exception applies. You must also suspend contributions to the 457 and 401(k) plan for 6 months after an unforeseeable emergency withdrawal or a hardship withdrawal.*

# Roth 401(k) Contribution Option

# Deemed Roth and Traditional IRA Contribution Options

## 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, your Roth 401(k) contributions and any earnings are maintained in a separate account. The total combined amount you may contribute into traditional pre-tax 401(k) and Roth after-tax 401(k) accounts is \$16,500 in 2011 (unless you will be at least age 50 during the year in which case the annual contribution limit becomes \$22,000).
- 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 (five-year period begins Jan. 1 of the year you first make a Roth 401(k) contribution into the plan) and 2) you are age 59½, or have died or become disabled.
- 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 to beneficiaries.

## \*Qualified Distributions

Generally, a Roth 401(k) account distribution is a qualified distribution if:

1) the Roth 401(k) account has been in existence for a five-year period (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 non-qualified distributions, and earnings could be taxable.

Should you elect to establish a designated Roth 401(k) account, the account will not be subject to federal taxes. State taxes may apply.

## What is a KDC Deemed IRA?

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 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.
- The \$5,000 after-tax aggregate contribution of earned income to all IRAs is allowed in 2011 and may be indexed in \$500 increments thereafter. In addition, annual catch-up contributions up to \$1,000 in the aggregate from all IRAs (both Traditional and Roth) are allowed in 2011.
- 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 (RMD); 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).

# Your Benefit Payment Options

## Deemed IRA Highlights

- You receive the same benefits as those associated with your 457 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), direct payment (regular personal checks, money orders, certified checks), subject to IRA annual limits.
- 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 457/401(k) plan annual limits.

## Other Important Deemed IRA Information

- KDC's 457 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 separate beneficiary, your 401(k) Plan beneficiary designation will also 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 IRA account balances (Traditional or Roth) cannot be used to purchase service credits.
- A minimum monthly after-tax contribution of \$30 is required per IRA.
- Deemed IRA account balances are not eligible for loans.

## Both the 457 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 IRS 10% early withdrawal federal excise tax may apply if payment is made to you from your 401(k) Plan prior to age 59½ unless an IRS exception applies.
- An IRS 10% early withdrawal penalty tax may apply on hardship distributions taken before age 59½ from the 401(k) Plan unless an IRS exception applies. You must also suspend contributions to the 457 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 unforeseeable emergency withdrawal is taken.
- Tax rules vary for each of the Plans. See pages 6-8 for details regarding taxation on distributions.

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

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

**Our Payout Counselors can assist you with your payout options. Call 800.542.2667 or 573.7925 inside Frankfort. Or visit [kentuckydcp.com](http://kentuckydcp.com) for additional payout information, including forms.**

# Plan Comparison Chart

	457(b) Pre-Tax Contributions	Traditional 401(k) Pre-Tax Contributions
<b>Eligibility</b>	Any employee of the Commonwealth of Kentucky as well as all public schools and universities. Other public employers are eligible under state statute and may elect to participate by submitting a Joinder Agreement to the Authority.	Any employee of the Commonwealth of Kentucky as well as all public schools and universities. Other public employers are eligible under state statute and may elect to participate by submitting a Joinder Agreement to the Authority.
<b>Maximum Annual Contribution</b>	\$16,500 in 2011 and indexed in annual \$500 increments based on IRS cost of living adjustments thereafter.  KDC requires a minimum monthly payroll contribution of \$30 in pre-tax 457 contributions.	\$16,500 total in 2011 for all 401(k) plans and indexed in \$500 increments based on IRS cost of living adjustments thereafter. 401(k) and Roth 401(k) combined contributions may total no more than \$16,500.  KDC requires a minimum monthly payroll contribution of \$30 in contributions to the 401(k) Plan. This minimum applies to the combined total of your 401(k) pre-tax and after-tax contributions.
<b>Contribution Method</b>	Payroll deduction	Payroll deduction
<b>Rollovers In</b>	Yes	Yes
<b>Catch-up Contribution</b>	<i>Age 50 catch-up</i> \$5,500 in 2011 for Age 50 catch-up.*  <i>Special catch-up</i> Up to twice the annual maximum (\$33,000 in 2011) for three-year special catch-up.*  <i>Cannot use both catch-up provisions in same year.</i> *Limits are increased in \$500 annual increments for the Age 50 catch-up (\$1,000 annual increments for the special catch-up) based on IRS cost of living adjustments.	<i>Age 50 catch-up</i> \$5,500 in 2011 and indexed in \$500 annual increments based on IRS cost of living adjustments thereafter.
<b>Deductibility of Contributions</b>	No	No
<b>Earnings</b>	Grow tax-deferred while in account	Grow tax-deferred while in account
<b>Kentucky Employer Match</b>	Not applicable	Available subject to employer participation
<b>Distributions</b>	Available upon severance from employment, regardless of age.	Available upon severance from employment, retirement, or in the year age 59½ is attained.
<b>Taxes on Distributions</b>	Withdrawals taxed as ordinary income. Not subject to the IRS 10% early withdrawal penalty.	Withdrawals are taxed as ordinary income. If withdrawn before age 59½ an IRS 10% penalty tax will apply unless an IRS exemption is met.
<b>Required Minimum Distributions (RMD)</b>	Required at age 70½	Required at age 70½
<b>Loans</b>	Allowed	Allowed
<b>Unforeseeable Emergency / Hardship Withdrawals</b>	Allowed (unforeseeable emergency standard)	Allowed (hardship standard)

### Roth 401(k) After-Tax Contributions

### Deemed Roth IRA After-Tax Contributions

### Deemed Traditional IRA After-Tax Contributions

Must be eligible to participate in the Authority 401(k) Plan.	Eligible and Active employees of a Participating Employer in the Authority's Program. – or –  Terminated and retired employees who desire to establish a Deemed Roth IRA account must have a minimum \$5,000 aggregate KDC account balance. May participate only through rollover/transfer. Annual contributions cannot be made.	Eligible and Active employees of a Participating Employer in the Authority's Program. – or –  Terminated and retired employees who desire to establish a Deemed Traditional IRA account must have a minimum \$5,000 aggregate KDC account balance. May participate only through rollover/transfer. Annual contributions cannot be made.
After-tax contribution of \$16,500 in 2011 [total 401(k) account(s) contributions], and indexed in \$500 annual increments thereafter.  KDC requires a minimum monthly payroll contribution of \$30 in contributions to the 401(k) Plan. This minimum applies to the combined total of your 401(k) pre-tax and after-tax contributions.	After-tax, aggregate contribution of \$5,000 earned income in 2011 (indexed in \$500 increments thereafter). Maximum annual contributions coordinate with the Deemed Traditional IRA, as well as other Traditional IRAs you may have established.  Contributions allowed at any age, provided you are actively working for a participating employer.  KDC requires a minimum \$30 per month payroll contribution or a \$100 minimum direct contribution via personal check, money order, or certified check payable to Kentucky Deferred Compensation. Indicate on the check or money order the year contribution is to be applied and last four (4) digits of social security number. If a year is not indicated on the check, money order, or certified check, the contribution will be applied to the current year.	After-tax, aggregate contribution of \$5,000 earned income in 2011 (indexed in \$500 increments thereafter). Maximum annual contributions coordinate with the Deemed Roth IRA, as well as other Traditional IRAs you may have established.  Contributions allowed up to the year you attain age 70½, provided you are actively working for a participating employer.  KDC requires a minimum \$30 per month payroll contribution or a \$100 minimum direct contribution via personal check, money order, or certified check payable to Kentucky Deferred Compensation. Indicate on the check or money order the year contribution is to be applied and last four (4) digits of social security number. If a year is not indicated on the check, money order, or certified check, the contribution will be applied to the current year.
Payroll deduction	Payroll deduction or direct pay (incremental or lump sum direct pay may be made no more frequently than monthly). Employers are not required to withhold.	Payroll deduction or direct pay (incremental or lump sum direct pay may be made no more frequently than monthly). Employers are not required to withhold.
Yes, but only a direct rollover from another Roth 401(k) or Deemed Roth IRA account	Can accept a direct rollover from another Roth IRA or Roth 401(k) account, but not from a Traditional IRA account unless in the form of a conversion. Can accept rollover from a qualified plan (but is subject to income tax).	Can accept a direct rollover from another Traditional IRA account or another qualified retirement plan [e.g., 401(k)], but not a Roth IRA.
<b>Age 50 catch-up</b> \$5,500 in 2011 for total to all 401(k) plans.	<b>Age 50 catch-up</b> \$1,000 in aggregate from all IRAs (both Traditional and Roth)	<b>Age 50 catch-up</b> \$1,000 in aggregate from all IRAs (both Traditional and Roth).
No	No	Yes, but limited due to participation in an employer sponsored retirement plan and AGI limits. Does not apply to non-deductible contributions.
Grow tax-free while in account and there is no tax on qualified distributions	Grow tax-free while in account and there is no tax on qualified distributions	Grow tax-deferred while in account
Available subject to employer participation	Not applicable	Not applicable
Subject to same rule as the 401(k) Plan.	Available at any time. (See Taxes on Distributions)	Available at any time. (See Taxes on Distributions)
Qualified distributions are not subject to federal income tax. If not a qualified distribution (and the money has not been maintained in the account for five years and the owner has not attained age 59½), investment earnings are subject to ordinary income tax and possibly a 10% early withdrawal penalty tax.	Contributions and earnings can be withdrawn at any time. However, earnings may be subject to federal taxes or penalties if the money has not been maintained in the account for 5 years, and the owner has not attained age 59½. Other exceptions may also apply.	Withdrawals may be subject to regular income tax. Withdrawals taken before age 59½ may be subject to a 10% early withdrawal penalty. Other exceptions may also apply.
Required at age 70½. However, a Roth 401(k) account may currently be rolled into a Roth IRA, which has no RMD requirement during participant's lifetime.	Participants are not subject to RMDs during their lifetime. Beneficiaries are subject to RMDs.	Required upon reaching age 70½
Not allowed	Not allowed	Not allowed
Not allowed	Not allowed	Not allowed

*This document is only a summary of Plan provisions, which are subject to change. Every effort has been made to accurately state Plan provisions in this Summary. However, should there be an error, misstatement or omission in this material, the Plan documents will always prevail. For a complete description of Plan rules, consult the current Plan Document. A current Plan Document is available from the Authority.*



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