

# Kentucky Deferred Compensation (KDC) Program Summary

*Summary and Highlights of the Kentucky Deferred Compensation (KDC) Program*

Simple. Smart.  
For you. For life.

## 457 Plan

## 401(k) Plan

- Roth 401(k)
- Deemed Roth IRA
- Deemed Traditional IRA



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



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## Why joining the Kentucky Deferred Comp Program is smart.

Kentucky Deferred Compensation (KDC, also officially known as the Kentucky Public Employees' Deferred Compensation Authority) provides supplemental retirement coverage to thousands of public employees in Kentucky. It is fast becoming your "one-stop-shop" for retirement planning since it offers the following supplemental retirement plans or programs:

- 1 **457 Plan**
- 2 **401(k) Plan** — Includes the following additional options:
  - **Roth 401(k)** contribution option
  - **Deemed Roth IRA** contribution option
  - **Deemed Traditional IRA** contribution option

### Consider these benefits:

- ◆ You need a long-term investment savings plan to 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. KDC lets you supplement your retirement with your own voluntary savings and investment plan.
- ◆ It is convenient. You can invest the easy way . . . through payroll deduction (and direct pay for KDC's Deemed IRA programs).
- ◆ 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.
- ◆ You may also pay lower taxes when you receive your distributions. First, you may be in a lower tax bracket after you retire. Second, under current state law, a significant portion of your deferred compensation distributions at retirement may be excludable from Kentucky state income tax.
- ◆ You may select from a number of quality, well known investment options. Through KDC, you can invest in some of the best-known mutual funds available on a no-load basis.\*
- ◆ It is easy to make changes: Over the Web at [www.kentuckydcp.com](http://www.kentuckydcp.com), or with SAVER, our telephone voice response system (800.793.4401). Both allow you to check on your account balance, move 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 am and 5 pm (ET).
- ◆ Your Social Security and retirement benefits are not affected by your contributions under the Kentucky Deferred Comp Plan(s).

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\* Fund management fees still apply. Please request a prospectus for more complete information.

\*\* Certain excessive trading restrictions may apply.

## What is Kentucky Deferred Comp?

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

Plan administration is performed by KDC (an entity of Kentucky State Government), under the direction of a Board of Trustees. The investment options available under the Plan(s) are selected by the Board of Trustees, with the assistance of an investment consultant/advisor.

Plan recordkeeping, communication, and enrollment services are performed by Nationwide Retirement Solutions, Inc. (NRS), a FINRA registered broker/dealer.

Plan Service Representatives are NRS employees who are authorized and licensed to explain the Deferred Compensation Plans and the available investment options. However, they are not permitted to provide investment advice. To contact your 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 NRS Representative may be contacted at 502.573.7925 or 800.542.2667.

The tax information in this brochure is only for illustrative purposes. You should consult a tax advisor to see how participation in a Deferred Comp Plan would affect your personal tax situation.

## How does Deferred Compensation work?

	Pre-tax ** with DC	After-tax** without DC
Gross paycheck (24 pays)	\$1,250	\$1,250
Pre-tax deferred compensation deferral	\$100	—
Taxable income	\$1,150	\$1,250
Federal & state taxes (includes Medicare & Social Security)*	\$240	\$260
After-tax deduction	—	\$100
<b>Discretionary income</b>	<b>\$910</b>	<b>\$890</b>

\* Assumes 2008 tax rates for a married Kentucky taxpayer with no children, filing jointly, using standard deduction, and Kentucky taxes are assumed to be 15% and 5.8% respectively.

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



The chart to the left explains how pre-tax retirement investing can have a positive impact on your monthly income. In this example we have assumed a salary of \$30,000.

In this example an employee contributing \$100 per paycheck saves \$20 in taxes each paycheck — or \$480 annually — by investing through Kentucky Deferred Comp instead of paying taxes before investing. Therefore, the annual reduction of take-home pay is \$1,920 instead of \$2,400 ( $\$100 \times 2 \text{ pays} \times 12 \text{ months} = \$480 \text{ in tax savings}$ ).

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

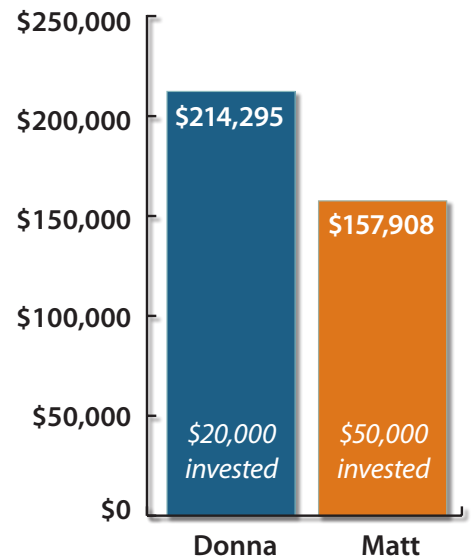
## Why should I participate in Kentucky Deferred Comp now?

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 40, then began investing \$2,000 per year for 25 years until he was age 65 (\$50,000). Assuming a hypothetical 8% 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 that compounding and time can have on your nest egg. Although it is never too late to start saving, waiting can be expensive. Use time to your advantage.



*Investments involve market risk including possible loss of principal. Past performance cannot guarantee future results. This hypothetical illustration assumes an 8% 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 or deferred compensation program and therefore, does not reflect any applicable fees or taxes. It is not intended to predict or project investment results.*

## Available investment options

The investment options featured in Kentucky Deferred Comp’s Spectrum of Investment Options are offered for all of the KDC Plans, including the Roth 401(k) and Deemed Roth and Traditional IRA separate accounts.

### 1 Professionally Managed Funds (Outsourced)<sup>1</sup>

Lifecycle Funds Based on Target Year of Retirement				
Freedom Income Fund	Freedom 2010 Fund	Freedom 2020 Fund	Freedom 2030 Fund	Freedom 2040 Fund

### 2 Do-it-yourself Portfolio

Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive
<b>Fixed Income/Cash</b>	<b>Bonds<sup>3</sup></b>	<b>Balanced</b>	<b>Mid-Cap Stocks</b>	<b>Small-Cap Stocks<sup>4</sup></b>
Stable Value Fund Money Market Fund <sup>2</sup>	Short Government Bond Fund Intermediate Bond Index Fund Intermediate Term Bond Fund High Yield Bond Fund	Moderate Allocation Fund <b>Large-Cap Stocks</b> Large Value Funds Large Blend Funds Large-Cap Index Large Growth Funds	Mid-Cap Value Fund Mid-Cap Index Mid-Cap Growth Fund	Small-Cap Value Small Blend Fund Small-Cap Index Small Growth Fund <b>International Stocks<sup>5</sup></b> Foreign Stock Funds

## 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*.

Upon request, you will receive the applicable prospectus(es). **Fund prospectuses can be obtained by calling 800.542.2667. Read the prospectuses carefully before investing, and carefully consider the fund's investment objectives, risks, charges and expenses. The fund prospectus contains this and other important information.**

### Deferrals

You may allocate your deferrals among any of the specific investment options currently made available through the Plan(s). Minimum deferral amounts are \$30 monthly, \$15 semi-monthly, \$14 bi-weekly, or \$7.50 weekly. You may change your allocation for future deferrals or exchange existing balances between options daily, provided the transactions are completed before 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 defray the cost of administering the Plans, participant account(s) are subject to an asset fee. No state or other employers' 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 .32 percent. The credited interest rate reported on your quarterly statement is already adjusted for this annual fee.

### Mutual fund accounts

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.

### First year free!\*

Participants are not charged mutual fund recordkeeping and administrative fees until one year after the date of their first investment.

\* *Underlying fund management fees still apply.*

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 Web site at [www.kentuckydcp.com](http://www.kentuckydcp.com).

### Custom Services Fees

The following custom service fees will be assessed to participant accounts requiring such extra services:

- Multiple hardships/Unforeseeable Financial Emergencies: \$100 each
- Qualified Domestic Relations Orders (QDRO): \$300 (split equally between parties, if possible)
- Transfers for purchase of service credit: \$100 each
- Loan origination fee: \$100 each
- Loan default fee: \$50 each
- Inactive small account fee — \$6 per month administrative fee on all accounts of \$5,000 or less that have been inactive for six consecutive months.
- Insufficient funds fee (NSF) for bad loan payment check: \$50 per returned check.

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

- 1) Fidelity Freedom portfolios are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, you are indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds.
- 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 that 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 for Kentucky State Government, schools and universities, and local governments authorized by Section 457 of the U.S. Internal Revenue Code. Features of the 457 Plan are detailed below.*

#### 457 Plan Features

- ◆ Generally, you may defer up to 100% of your includible compensation, after deducting contributions to the state retirement plan(s). You must, however, also allow for the withholding of FICA, local, and similar taxes which do not recognize pre-tax contributions. There is an annual dollar limit of \$16,500 in 2010.<sup>1</sup>
- ◆ Deferrals and earnings are put in trust in your name immediately after clearing the State Treasury and upon completion of the investment process.
- ◆ A special three-year “catch-up” provision (up to twice the annual maximum in deferrals per year) is available in the three calendar years prior to your planned normal retirement age. A separate “Baby Boomer” catch-up may be available for participants age 50 and over, but cannot be used in the same year the three-year catch-up is used. This “Baby Boomer” catch-up is \$5,500 in 2010 and increases the annual deferral limit to \$22,000 for participants who are age 50 or older in 2010.
- ◆ Benefits must begin by April 1 of the calendar year after the calendar year in which you reach age 70½.\*
- ◆ There is no penalty tax for early (before age 55) distributions upon termination of employment.
- ◆ “Rollovers” are permitted<sup>2</sup>, upon the occurrence of a benefit event, to a 401(a), 401(k), 403(b) Plan or IRA, and assets may be “transferred” to or from another 457 Plan. 457 Plan assets may be transferred to KERS, KTRS, or Judicial and Legislative Retirement Systems to purchase service credits<sup>3</sup> (including “air time”).
- ◆ Cafeteria Plan (or benefits) money cannot be invested in this Plan.
- ◆ Loan provisions and eligible unforeseen financial emergency withdrawals are available. The minimum loan amount is \$1,000 (and the account balance must be at least \$2,000). 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.

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

- IRS approved pre-tax deferrals.
- Easy investing through payroll reductions.
- Diversified investment options and the ease of daily exchanges among them with no exchange fee. However, redemption fees may apply.
- Several benefit payment options.
- Flexibility in changing future deferrals.
- Ability to transfer assets from prior plans into the respective Plan offered by KDC.

#### 457 Benefit Events

Benefits are available after the occurrence of a benefit event. The types of benefit events for those with 457 accounts are listed below:

- 1) Severance from employment (not working for a participating employer in any capacity)
- 2) Age 70½ (regardless of whether you are still working). Benefits must begin by April 1 of the calendar year after the calendar year in which you reach age 70½ .
- 3) Death or total disability
- 4) Unforeseeable financial emergency<sup>4</sup>  
If it cannot be relieved by other means, you may withdraw funds sufficient to cover:
  - Uninsured medical cost to you or your legal dependents (see your benefit payment options)
  - Uninsured property damage to your primary residence due to casualty or extraordinary and unforeseeable circumstances beyond your control
  - Unforeseeable loss of family income
  - Funeral expenses for a family member
  - Imminent foreclosure on, or eviction from, your primary residence
- 5) Minimum (De Minimus) account payout is also available for certain accounts to which no contributions have been made within the preceding 24 months.

\* Unless suspended by federal law.

Footnote references are featured at the end of page 7.

## 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 United States Internal Revenue Code. This plan is available to the same entities as the 457 Plan. Features of the 401(k) Plan are detailed below.

### 401(k) Plan Features

- ◆ Generally, you may defer up to 100% of your includible compensation, after deducting contributions to the state retirement plan(s). You must, however, allow for the withholding of FICA, local, and similar taxes which do not recognize pre-tax contributions. There is an annual dollar limit of \$16,500.<sup>1</sup> Any contributions to a 403(b) Plan must be included in meeting the annual dollar limit.
- ◆ Deferrals and earnings are put in trust in your name immediately after clearing the State Treasury and upon completion of the investment process.
- ◆ A “Baby Boomer” catch-up provision is available on January first of the year you turn age 50. The catch-up amount for 2010 is \$5,500.
- ◆ Loan provisions and eligible financial hardship withdrawals are available. The minimum loan amount is \$1,000 (provided your account balance is \$2,000). 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 or Roth 401(k) account balance(s).
- ◆ Benefits must begin by April 1 of the calendar year after the calendar year in which you reach age 70½ .
- ◆ May be eligible for favorable tax treatment of lump-sum distributions.
- ◆ “Rollovers” are permitted to a 401(a), 401(k), 457, 403(b) Plan or IRA<sup>2</sup>. 401(k) Plan assets may be transferred to KERS, KTRS or Judicial and Legislative Retirement Systems to purchase service credits<sup>3</sup>.
- ◆ Both Roth 401(k) 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.

### 401(k) Benefit Events

Benefits are available after the occurrence of a benefit event. The types of benefit events for those with 401(k) accounts are listed below:

- 1) Severance from employment (not working for a participating employer in any capacity)
- 2) Age 59½ (regardless of whether you are still working)
- 3) Death or total disability
- 4) Unforeseeable financial emergency 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:
  - Uninsured medical cost to you or your legal dependents
  - Prevention of eviction from or foreclosure on your primary residence
  - Uninsured property damage to your primary residence due to unforeseeable circumstances beyond your control
  - Unforeseeable loss of family income
  - College education for you or a legal dependent
  - Purchase of your primary residence
- 5) Benefits must begin by April 1 of the calendar year after the calendar year in which you reach age 70½ , whether or not 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 change every January 1. Jan. 1, 2010 = \$16,500, and indexed thereafter.
- 2) 457 Plan assets rolled to a qualified plan will assume the characteristics of a qualified plan and will, upon withdrawal, be taxed as 401(k) assets, i.e.: 457 Plan assets rolled over to a 401(k) Plan will be commingled with the 401(k) Plan assets and taxed as 401(k) assets.
- 3) A \$75 fee is assessed to all KERS, KTRS and Judicial & Legislative Retirement Systems rollovers.
- 4) A 10% penalty tax may apply on unforeseeable financial emergency distribution. You must also suspend contributions to the plan for 6 months after a hardship withdrawal. A fee of \$75 may be assessed against your account for this withdrawal.

### 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 and Roth 401(k) accounts but you cannot recharacterize the assets in those accounts after your initial designation of pre-tax or after-tax contribution 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 401(k) and Roth 401(k) accounts is \$16,500 in 2010 (unless you will be at least age 50 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 participant first makes a Roth 401(k) contribution into the plan) *and* 2) the participant is age 59½, or has died or becomes 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 become 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.

### Deemed Roth and Traditional IRA Contribution Options

#### What is Kentucky Deferred Comp's Deemed IRA?

A Deemed Individual Retirement Account (IRA) which 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 your 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?

- ◆ Roth 401(k) Plans have higher annual contribution limits than the Deemed Roth IRA.
- ◆ The after-tax aggregate contribution of \$5,000 earned income to all IRAs is allowed in 2010 and may be indexed in \$500 increments thereafter.

In addition, annual catch-up contributions up to \$1,000 in aggregate from all IRAs (both Traditional and Roth) are allowed in 2010.

- ◆ Roth 401(k) annual contributions do coordinate with traditional annual contributions and 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 reason.
- ◆ 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).



## Deemed IRA Highlights

- ◆ You receive the same benefits as those associated with your 457 and 401(k) Plans — low fees, quality investment options, Kentucky's superior customer service, and simplification through the consolidation of your supplemental retirement saving programs.
- ◆ You contribute into your Deemed IRA through payroll deduction, 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 Authority 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 VRU 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 contribution of \$30 is required per plan or IRA.

## Your Benefit Payment Options

### Both the 457 and 401(k) plans offer flexible payment options including the following:

- ◆ Total distribution payment
- ◆ Partial distribution payment
- ◆ Installment payments for a fixed period (such period may be up to your expected lifetime and is subject to legal limits)
- ◆ Fixed dollar payments

### 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 Benefit Payment Election Form. Both Plans provide for an automatic payout process if you do not choose a method of payment by your required beginning date.
- ◆ You will 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.

- ◆ A 10% federal excise tax may apply if payment is made to you from your 401(k) Plan prior to age 59½ and because you separated from service with your employer before the year you reached age 55.
- ◆ A 10% penalty tax may apply on hardship distributions available through the 401(k) Plan. You must also suspend contributions to the plan for 6 months after a hardship withdrawal. A fee of \$75 will be assessed against your account if more than one unforeseeable emergency withdrawal is made.
- ◆ 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.*

*The Internal Revenue Code provides that none of the Plans may be used as a temporary, short-term savings account where you "withdraw deposits" whenever you want. The purpose and benefit of these plans is to help ensure that your retirement savings will be available at your retirement.*

**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.	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.
<b>Maximum Annual Contribution</b>	\$16,500 in 2010 and indexed in annual \$500 increments thereafter. KDC requires a minimum \$30 per month contribution.	\$16,500 total in 2010 for all 401(k) plans and indexed in \$500 increments thereafter. 401(k) and Roth 401(k) combined contributions may total no more than \$16,500. KDC requires a minimum \$30 per month contribution.
<b>Contribution Method</b>	Payroll deduction	Payroll deduction
<b>Rollovers In</b>	Yes	Yes
<b>Age 50 Catch-up Contribution</b>	\$5,500 in 2010 for Age 50 "Baby Boomer" catch-up. Double annual maximum (\$33,000 in 2010) for three-year special catch-up. Cannot use both catch-up provisions in same year.	\$5,500 in 2010 and indexed in \$500 annual increments 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 termination of employment, regardless of age.	Available upon termination of employment or full retirement or in the year age 59½ is attained.
<b>Taxes on Distributions</b>	Withdrawals taxed as ordinary income. Not subject to 10% early withdrawal penalty.	Withdrawals are taxed as ordinary income. If withdrawn before age 59½ a 10% penalty may apply if termination or full retirement occurs before age 55.
<b>Required Minimum Distributions</b>	Required at age 70½	Required at age 70½
<b>Loans</b>	Allowed	Allowed
<b>Hardship Withdrawals</b>	Allowed	Allowed
<b>5 Year Holding Requirement</b>	Not applicable	Not applicable

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 2010 [total 401(k) account(s) contributions], and indexed in \$500 annual increments thereafter. KDC requires a minimum \$30 per month contribution.	After-tax, aggregate contribution of \$5,000 earned income in 2010 (indexed in \$500 increments thereafter). Maximum annual contributions coordinate with the Deemed Traditional IRA. 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 year contribution is to be applied and last four (4) digits of social security number.	After-tax, aggregate contribution of \$5,000 earned income in 2010 (indexed in \$500 increments thereafter). Maximum annual contributions coordinate with the Deemed Roth IRA. 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 year contribution is to be applied and last four (4) digits of social security number.
Payroll deduction	Payroll deduction or direct pay (incremental or lump sum direct pay may be made no more frequently than monthly).	Payroll deduction or direct pay (incremental or lump sum direct pay may be made no more frequently than monthly).
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. Effective Jan. 1, 2008, 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.
\$5,500 in 2010 for total catch-up contributions for all 401(k) plans, excluding the additional Age 50 catch-up, if applicable.	\$1,000 in aggregate from all IRAs (both Traditional and Roth)	\$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 <i>Taxes on Distributions</i> )	Available at any time. (See <i>Taxes on Distributions</i> )
Qualified distributions are not subject to federal income tax. If not a qualified distribution, investment earnings are subject to ordinary income tax and possibly a 10% early withdrawal penalty.	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
Yes, for tax-free distributions. Other factors also apply to qualify for the tax free distribution.	Yes, for tax-free distributions. Other factors also apply to qualify for the tax free distribution.	No

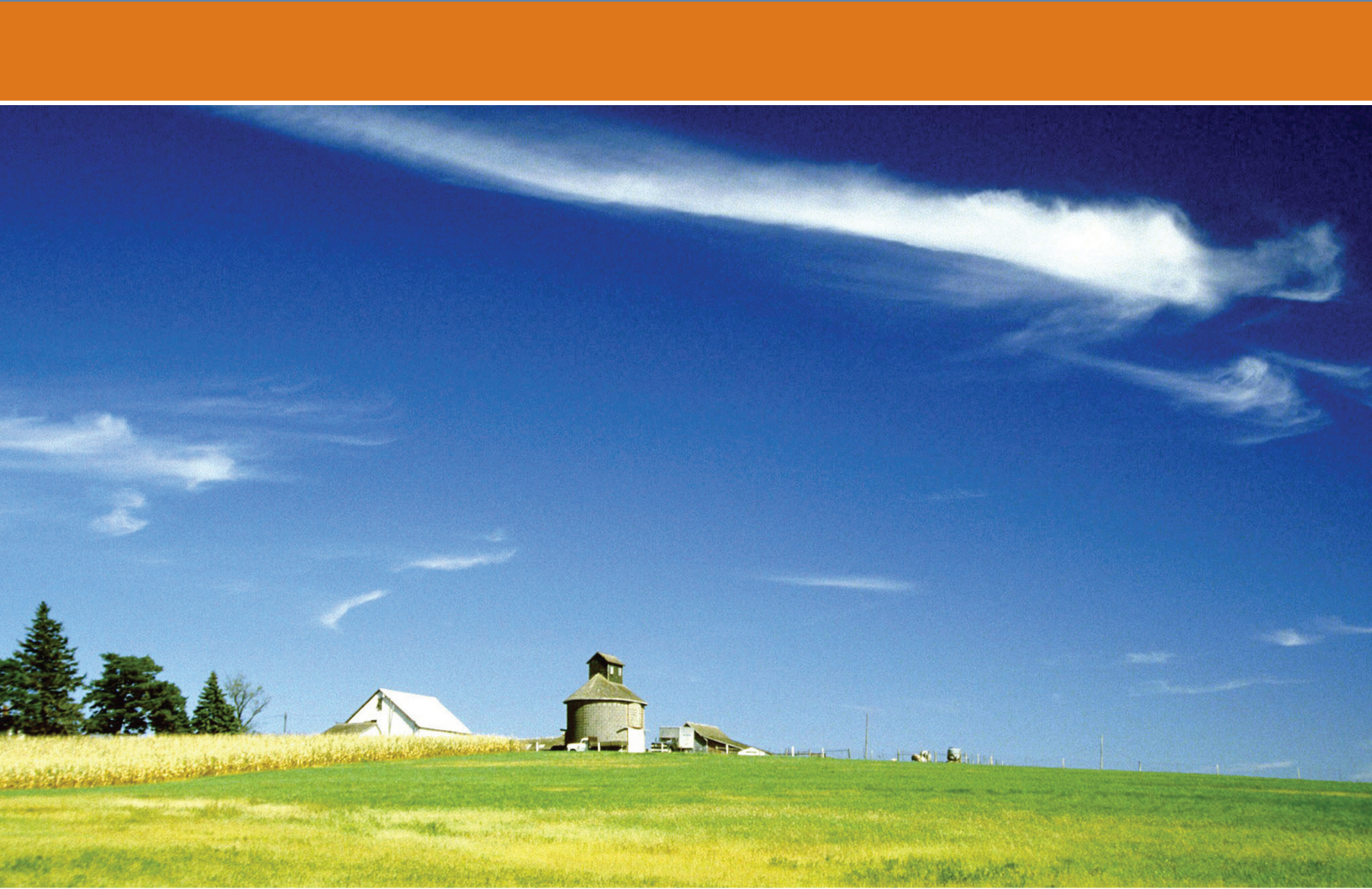


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*Kentucky Deferred Comp's 457 and 401(k) plans are sponsored by the Commonwealth of Kentucky*

*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.*