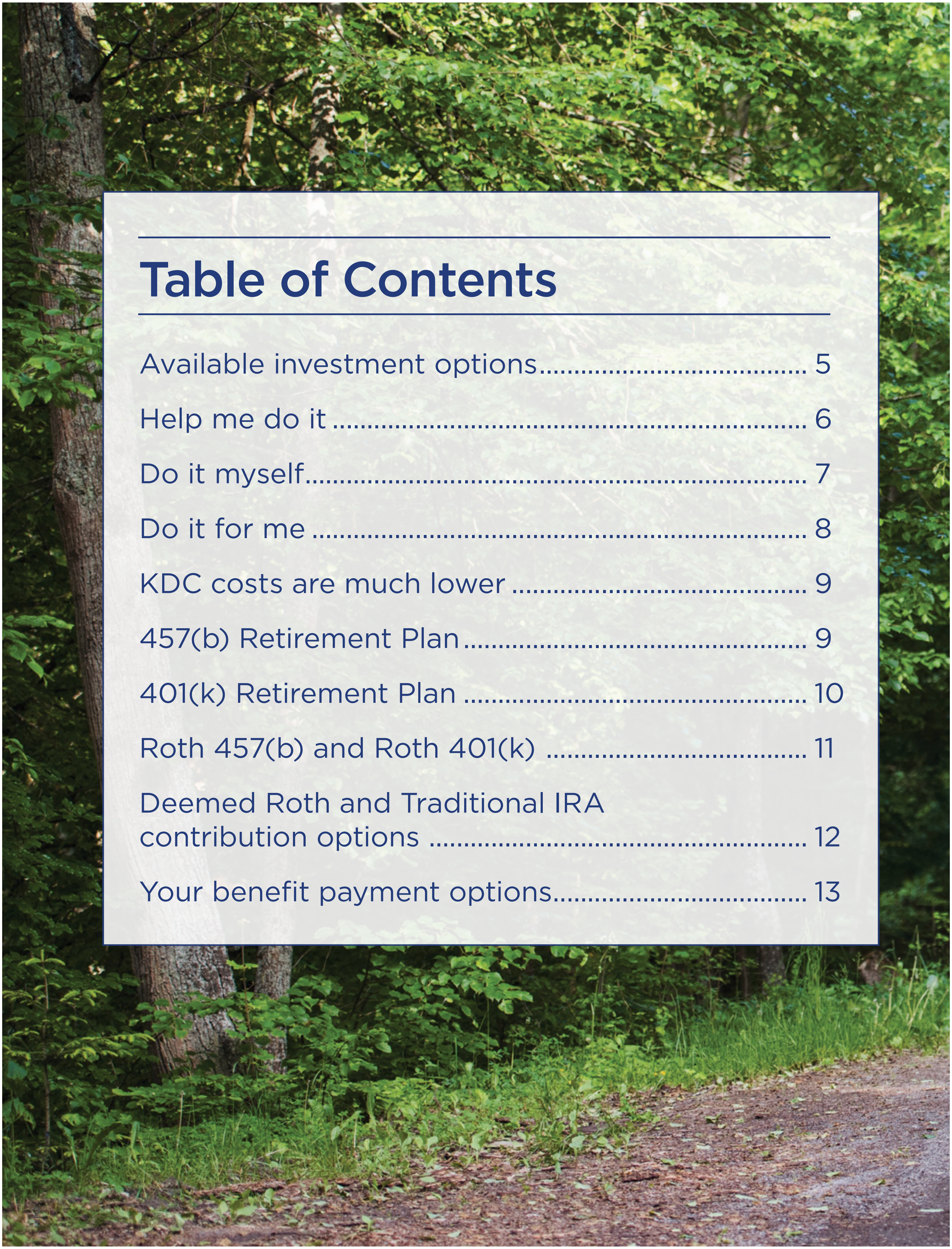
Program Summary

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



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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. KDC offers the following defined contribution savings and optional features:

457(b) plan — pre-tax contributions

- Roth 457(b) after-tax contribution option

401(k) plan — pre-tax contributions and includes the following additional options:

- Roth 401(k) — after-tax
- 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 that 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 that you plan to replace 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 —** Investing with 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 whether 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 because you may be in a lower tax bracket.
- **Investment flexibility —** You can select from a variety of investment options from a variety of fund managers whose performance is monitored by KDC.
- **Making changes is easy —** You can make changes anytime (except for brief backup periods) on the website at kentuckydcp.com or by contacting the KDC office in Frankfort toll free at **1-800-542-2667** between 8 a.m. and 4:30 p.m. ET.[1]
- **No reduction in other benefits —** Your Social Security and retirement benefits are not affected by your contributions through KDC.

What is KDC?

Kentucky Deferred Compensation (KDC) is a supplemental retirement savings plan offered to 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 (KDC) is administered under the direction of a Board of Trustees (Board). The investment options available through KDC are selected by the Board with the assistance of an investment consultant. Plan recordkeeping, communications and marketing services are currently being provided by Nationwide®.

Plan Retirement Specialists are Nationwide 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 advisor or financial professional. You can find contact information for your local Retirement Specialist at kentuckydcp.ky.gov, or call us at 1-800-542-2667 or 502-573-7925.

[1] 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 semimonthly 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[2] with KDC	After-tax[3] without KDC
Gross paycheck (24 pay periods)	$1,250	$1,250
Pre-tax deferred compensation deferral	$50	——
Taxable income	$1,200	$1,250
Federal and state taxes (includes Medicare and Social Security)	**$233**	**$244**
After-tax deduction	——	$50
Take-home pay	$967	$956

In this example, you save $11 per pay period 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[4]

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. Do not ignore the impact that time and compounding 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.

[2] The illustration assumes 2016 tax rates for a married Kentucky taxpayer with no children, filing jointly, using the standard deduction. Federal and Kentucky taxes are based on wage withholding tables.

[3] Figures have been rounded for purposes of illustration.

[4] Chart assumptions: This hypothetical illustration assumes a 25% tax rate, $50 semimonthly deferrals (24 pay periods 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.

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

Investments involve market risk, including possible loss of principal. Past performance cannot guarantee future results.

Deferrals

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

457(b)	One $30 minimum monthly contribution applies to the combined total of your 457(b) Plan traditional (pre-tax) and Roth (after-tax) 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 by logging on to the website. Every effort is made to process your changes on the business day received as long as 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.

Available investment options

The following investment options are available to KDC 457(b) and 401(k) Plans[5]:

Kentucky Deferred Comp makes it easy to select funds

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

Three ways to invest:

1

Help me do it:

Vanguard Target Retirement Funds

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

2

Do it myself:

Your own strategy

- Select funds from KDC's fund lineup
- Use the My Investment Planner℠ tool for free recommendations
- Designate the funds you've chosen when you enroll in KDC

3

Do it for me:

Nationwide ProAccount®

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

[5] All investing is subject to risk, including the possible loss of the money you invest. Asset allocation and diversification do not guarantee to make a profit or protect against a loss.

Before investing in any fund, please carefully 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 1-800-542-2667 or 502-573-7925.

1 Help me do it

Vanguard Target Retirement Funds

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

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

2 Do it myself

Design your own investment strategy

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

INTERNATIONAL		
Growth American Funds EuroPacific Ticker: RERGX Operating expenses: 0.47%	**Value** Dodge & Cox International Stock Ticker: DODFX Operating expenses: 0.62%	
SMALL-MID (SMID) CAP		
Growth T. Rowe Price Mid-Cap Equity Ticker: PMEGX Operating expenses: 0.61%	**Blend** Vanguard Extended Market Index Ticker: VEMPX Operating expenses: 0.04%	**Value** Principal Small-MidCap Dividend Income Fund (R6) Ticker: PMDHX Operating expenses: 0.80%
LARGE CAP		
Growth Fidelity Growth Company Ticker: FGKFX Operating expenses: 0.45%	**Blend** Vanguard Institutional Index Ticker: VIIIX Operating expenses: 0.02%	**Value** JPMorgan Equity Income (R6) Ticker: OIEJX Operating expenses: 0.45%
STABLE VALUE	**BONDS**	**BALANCED FUND**
Fixed Contract Fund 3 Operating expenses: 0.35%	Vanguard Total Bond Market Index Ticker: VBTIX Operating expenses: 0.04% MetWest Total Return Ticker: MWTSX Operating expenses: 0.37% Invesco Gov't Short Term Ticker: AGPXX Operating expenses: 0.16%	Vanguard Wellington Fund Ticker: VWENX Operating expenses: 0.17%

3 Do it for me

Nationwide ProAccount

You can get professional managers to select your investments from the KDC investments lineup based on your age and risk tolerance. Then they're monitored and adjusted to keep them on target with your goals. For an additional fee, you can engage these professional managers to manage your KDC account according to the fee structure below. With this service, you receive ongoing support through periodic updates about your account and investments, quarterly statement notifications and telephone support from registered investment adviser representatives.

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

Nationwide ProAccount brings institutional strategies to your retirement account.[6]

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

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

More about operating expenses and fees:

1. Operating expenses featured on Pages 6 through 7 are expenses as of 12/31/2023. KDC Investment Performance Reports feature current quarter-end data and expenses.

2. The cumulative effect of fees and expenses can substantially reduce the growth of a participant's retirement account.[7]

3. Fees and expenses are only one of several factors that participants should consider when making investment decisions.[7]

Review next page for more details.

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

[7] "DOL Reg 29 CFR 2550.404a-5 Fiduciary requirements for disclosure in participant-directed individual account plans," govinfo.gov/app/details/CFR-2022-title29-vol9/CFR-2022-title29-vol9-sec2550-404a-5 (July 1, 2022).

KDC costs are much lower

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

Administrative and account fees

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

Mutual fund — Each participant is assessed a portion of the annualized[8] cost based on the first $125,000 of the total balance in all mutual funds in which they invest, but $225 is the most any participant can be assessed.

Reminder: Fund management companies also assess all investors a per-fund fee to cover their costs. These costs are reported as "operating expenses." Refer to the operating expenses noted on Pages 6 and 7.

Fixed Contract Fund 3 — Participants invested in this Fund are assessed an annualized[8] fee of 0.32% of assets. The credited interest rate reported in quarterly statements is adjusted for this cost.

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

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

Service costs

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

- Qualified domestic relations orders (QDRO): $300 (split equally between parties, if possible)
- Transfers for the purchase of service credit: $100 per transfer
- Loan origination: $100 per loan taken from the participant's account on a pro rata basis
- 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 6 consecutive months; this does not apply to participants on military leave, those in active periodic payout status, beneficiaries, and alternate payee accounts
- Insufficient funds (NSF): $10 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 employees of the 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 contributions this year is $23,000.[9]
- 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 3 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 $7,500 this year and increases the total annual deferral limit to $30,500 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.
- If you were born after June 30, 1949, benefit distributions must begin by April 1 of the calendar year following the calendar year in which you reach age 73.
- There is no additional 10% early withdrawal tax from the 457(b) plan.

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

[9] This limit may be subject to IRS cost-of-living adjustments every January 1.

- Rollovers of eligible distributions are permitted upon the occurrence of a benefit event within a 401(a), 401(k), 403(b) plan or IRA,[10] and assets may be "transferred" to or from another governmental 457(b) Plan. 457(b) Plan assets may be transferred to Kentucky Public Pensions Authority (KPPA), TRS or Judicial/Legislative Form to purchase service credits[11] (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 9).

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 —** You are not working for any participating employer in any capacity.
2. **Age 59½** in-service withdrawals are available upon request.
3. For participants born after June 30, 1949, benefits must begin by April 1 of the calendar year following the calendar year in which you reach age 73, even if you continue to work.
4. **Death**
5. **Unforeseeable financial emergency**

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
- 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 that the unforeseeable emergency cannot be relieved: (1) through reimbursement or compensation by insurance or otherwise; (2) by liquidating your assets (to the extent that 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 nonrefundable 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; you are limited to two unforeseeable emergency withdrawals

6. **Minimum (de minimis) account payout —** Available for accounts that do not exceed $5,000 and 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 deferred 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 contributions this year is $23,000.[9] Any contributions to a 403(b) plan must be included in determining the annual dollar limit.

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

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

[11] A $100 fee is assessed to all KPPA, TRS and Judicial/Legislative Form Systems transfers.

- 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 $7,500[9] and increases the annual deferral limit to 30,500 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 against only their before-tax account balance. You cannot borrow from 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 73 (for participants born after June 30, 1949) with the exception of the Roth IRA, which is not subject to required minimum distributions during the participant's lifetime.
- Rollovers are permitted to a 401(a), 401(k), governmental 457(b) or 403(b) Plan, or an IRA. 401(k) Plan assets may be transferred to KPPA, TRS or Judicial/Legislative Form to purchase service credits.[11]
- Both Roth 401(k) (after-tax contributions) and Deemed IRA (Roth and traditional) accounts are available through the 401(k) Plan. Review the following pages 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. For the 401(k) Plan, benefit events are listed here.

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
- 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**[12]

After exhausting all other financial resources, you may withdraw from your account(s) 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
- 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)
- Expenses and losses (including lost of income) due to FEMA-declared disasters.

You are limited to two hardship distributions.

5. **For participants born after June 30, 1949, benefits must begin by April 1 of the calendar year following the calendar year in which you reach age 73, even if you continue to work.**

Roth 401(k) and Roth 457(b) contribution options

Roth 401(k) and Roth 457(b) 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) and Roth 457(b) contributions.
- Unlike a Roth Individual Retirement Account (IRA), you can elect to make Roth 401(k) or Roth 457(b) contributions regardless of your income level.
- Contributions are made through payroll deductions just like your other KDC accounts, except your contributions are made after taxes have been deducted.

[12] An additional 10% early withdrawal tax may apply on a financial hardship withdrawal, unless an IRS exception applies.

- You may divide your contributions between traditional pre-tax and Roth after-tax or Roth 457(b) 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) and Roth 457(b) contributions are taxed differently when withdrawn, your 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) or traditional pre-tax 457(b) and Roth457(b) accounts is $23,000 this year[9] (unless you will be at least age 50 during the year, in which case the annual contribution limit becomes $30,500).
- Similar to traditional pre-tax 401(k) plan accounts, payout from a Roth 401(k) or Roth 457(b) 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) or Roth 457(b) account has been in existence for a 5-year period (the 5-year period begins January 1 of the year you first make a 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.
- For participants born after June 30, 1949, required minimum distributions (RMDs) begin at age 73 unless the Roth 401(k) or Roth 457(b) is rolled is rolled into a Roth IRA, which does not require minimum distributions except for beneficiaries.

Qualified distributions

Generally, a Roth account distribution is a qualified distribution and not subject to federal income tax if: 1) the Roth account has been in existence for a 5-year period (the 5-year period begins January 1 of the year a participant first makes Roth contributions), 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 contributions are after-tax for both federal and state tax 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. By contrast, a traditional 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 they 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 offset 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 402A

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 paycheck) 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 $6,500 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 for all IRAs (both traditional and Roth) are allowed.[9]

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
- 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 73.

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 required beginning date at age 73.
- You can choose a beneficiary (to receive your benefits if you pass away) at the time you enroll. You may change your beneficiary at any time by completing and having KDC accept a new Beneficiary Designation Form (BDF), which will supersede any previous BDF.
- 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.
- Tax rules vary for each of the Plans offered by KDC. Refer to prior sections regarding taxation on distributions for each plan type.

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.

Our Payout Counselors can assist you with your payout options. Call **1-800-542-2667** or **502-573-7925.**

Alternatively, visit **kentuckydcp.ky.gov** for additional payout information, including forms.

Kentucky Deferred Comp™
Kentucky's *official* supplemental retirement plan

TEAM KENTUCKY®
PERSONNEL CABINET

Need assistance? We can help.

Visit our interactive website at **kentuckydcp.ky.gov** 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.

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 Program Summary. However, should there be an error, misstatement or omission in this material, the appropriate Plan documents will always prevail. Current Plan documents are available from KDC or online at kentuckydcp.ky.gov.

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