



Newsletter

Join us on the "WEB" at: www.kentuckydcp.com or www.state.ky.us/agencies/personnel/dcomp.htm or email us at: persdeferredcomp@mail.state.ky.us
Telephone number: (502) 573-7925 or (800) 542-2667
Fax number: (502) 573-4494
Nationwide® Retirement Solutions (NRS)
Web-Site Help Center: (800) 653-4632
Our address:
2501 Georgetown Road, Suite 1
Frankfort, Kentucky 40601-8862

JANUARY 2002

New in 2002!

457 Loans Now Available

For many years, participants have been able to make loans from their 401(k) accounts. Beginning January 1, 2002, participants in the 457 Plan will also be eligible to take loans. The same basic procedures that now govern the 401(k) loans will apply to the 457 loans. The minimum loan amount will be \$1,000 and the maximum will be \$50,000. An individual may a total of two loans outstanding at any time

(whether 401(k) or 457) and may initiate only one loan per calendar year (whether 401(k) or 457).

We are happy to be able to offer this added, and often requested, service to our participants. If you are interested or simply need more information, please give our loan representatives a call at 800-542-2667 or (502) 573-7925.

Marketing Changes

Effective January 1, 2002, in order to better utilize our resources a few counties were reassigned to a different Participant Service Representative (PSR). To contact your new PSR call 800-793-4401, select Option 5, and enter their extension. Listed below are the counties affected:

County	New PSR	Extension
Pulaski	Trese Osborne	45502
Lincoln	Trese Osborne	45502
Garrard	Jolene Van Horne	43653
Bell	John Knausz	43447
Greenup	David Bennett	43499
Breckinridge	Lori Boone-Hunt	43386
Grayson	Lori Boone-Hunt	43386
Hancock	Lori Boone-Hunt	43386

Please see our website for a complete listing of counties and PSRs.



Website Tip:

For all website assistance, including having your password reset, all you need to do is call **800-653-4632.**

457 Benefit Commencement Date

Reminder: In the past you may have chosen a Benefit Commencement Date (BCD) for your 457 Plan. This BCD is the month and year you selected for payout to begin from your 457 Plan. Due to changes brought about by Economic Growth and Tax Relief Reconciliation Act of 2001, while you may still begin your 457 payout on this date, you are no longer bound by it. For more information, please call the Authority Payout Branch- 800-542-2667, in Frankfort (502) 573-7925.

Fixed Contract Fund Rate

A blended net crediting rate that will yield 5.50% will be credited for the First Quarter of 2002. The rate was 5.65% for the previous quarter.

You already know that participating in deferred compensation is one of the best ways to invest for retirement. But did you know it's also a good way to potentially make fluctuating markets work for you?

By continuing to contribute into your deferred compensation account regularly, you'll buy more units or shares while prices are low and fewer when prices are high. And because you've bought more during this market slump, you'll own more shares and units. The overall effect is that your average cost-per-unit or share may be less than the average market price-per-unit or share. Here's a hypothetical example of how it works.

Month	Deferral Amount	Cost Per Share	# Of Shares
July	\$300	\$16	18.75
August	\$300	\$22	13.64
September	\$300	\$20	15.00
October	\$300	\$18	16.67
November	\$300	\$16	18.75
December	\$300	\$12	25.00
Total	\$1,800	n/a	107.81

Last Year's Down Market May Be Good News For Your Retirement



By continuing to contribute into your deferred compensation account regularly, you'll buy more units or shares while prices are low and fewer when prices are high.

Your average unit/share cost was \$16.70 ($\$1,800 \div 107.81$ shares). But the average price was \$17.33 ($\$104 \div 6$ purchases). So, after six months of using dollar-cost averaging during these hypothetical market fluctuations, you'd have paid \$0.63 per unit/share less than the average unit/share price. Though that may not seem like a lot, there's potential for long-term gains.

You don't have to do anything different to take advantage of dollar-cost averaging.* As long as you make regular contributions to your deferred compensation account, you'll have it working for you.

*Dollar-cost averaging does not assure a profit and does not guarantee against a loss in a declining market. This type of strategy involves continuous investment in the security regardless of fluctuating price levels of such securities. You should also consider your financial ability to continue purchases through periods of low price levels.

Where To Find Extra Money To Invest In Your Plan

Beginning in 2002, the new law allows increased contributions of up to \$11,000 in both the 401(k) and 457 Plans. However, considering all your day-to-day expenses, finding the extra cash to invest can often seem impossible. Try these tips to free up more cash for investing in your future:

Reduce your loans to Uncle Sam¹



Income tax refunds are interest free loans to the government. You potentially can earn extra money on any amount being over withheld by contributing it to your deferred compensation account. Simply adjust the withholding on your W-4 form and increase your deferrals by that same amount.

Break Expensive Habits²

Keep a spending diary for a few months to identify activities that drain your money.

- Give up smoking. Save approximately \$728 a year by not buying a pack a day. If you quit altogether, you may qualify for



cheaper life, auto, and homeowner's insurance, which could make an additional few hundred dollars available for deferrals annually.

- Cancel unused subscriptions and memberships. Invest the savings as additional deferrals.

Get Money From Your Home

Housing costs are a big budget item, but your home can be a source of savings, too. With mortgage interest rates lower than they've been for years, it may be a good time to consider refinancing. You can use the difference you'll save from lower monthly payments as a source for additional deferrals. This way you're investing your money instead of using it to help pay higher finance charges.



¹ Source: Internal Revenue Service: www.irs.gov

² Source: American Lung Association, 2001

IRS Offers Incentive To Invest For Retirement

If you're a low-to-moderate wage earner, the IRS offers you a new nonrefundable tax credit for setting aside income for investing in your deferred compensation plan. Depending on your situation, this credit could be as much as a 50 percent reduction on the first \$2,000 deferred into your plan. The amount of the credit decreases with higher incomes.

How It Works

If you earn \$15,000, contribute \$20 per week (\$1,040 annually) and file single, the amount of income you would file would be \$13,960 (\$15,000-\$1,040). You would earn a nonrefundable tax credit of \$520 (50% of \$1,040) while reducing your tax liability. The credit is in addition to any deduction or exclusion allowed for your contributions and will be available for tax years 2002 through 2006.

New in 2002!

Depending on your situation, this credit could be as much as a 50 percent reduction on the first \$2,000 deferred into your plan(s).

Tax Credit For Low-to-Moderate Income Taxpayers

Amount of Credit	Filing Status		
	Joint	Head of Household	Single/Other
50% of first \$2000 deferred	\$0 to \$30,000	\$0 to \$22,500	\$0 to \$15,000
20% of first \$2000 deferred	\$30,001 to \$32,500	\$22,501 to \$24,375	\$15,001 to \$16,250
10% of first \$2000 deferred	\$32,501 to \$50,000	\$24,376 to \$37,500	\$16,251 to \$25,000
None	> \$50,000	>\$37,500	>\$25,000

Invest Your Tax Refund

Looking for an extra source of income you can put to work for your retirement? Consider investing your tax refund in your deferred compensation plan.

Simply divide the amount of your tax refund for 2001 by the number of paydays left this year. For example, if your tax refund totaled \$800, and you have 20 paydays left, your deferral increase amount would be \$40 biweekly.

Using that number as a deferral increase amount, contact your Participant Service Representative to increase your contributions. It's an opportunity to help make your return keep on paying.

Did You Move?

Have you moved and just forgotten to tell us? Each quarter hundreds of participant statements are returned to us by the Post Office because we don't have the most current home address on file for all our participants. *Your employer does not notify us when you move, so make sure you give us a call or drop us a note.*

By keeping us informed you help us keep our files updated, which allows us to get important account information to you. Remember, if you move, change your name, or switch employers, please let us know by calling our office toll-free at 800-542-2667, or in Frankfort (502) 573-7925. Our office hours are Monday through Friday, 8:00 a.m.-5:00 p.m.



Fund Spotlight

For information only – NOT a recommendation for investment

The Dreyfus Premier Third Century Fund, Inc.

Goal/Approach

The Fund seeks to provide capital growth, with current income as a secondary goal.

To pursue this goal, the fund invests primarily in the common stock of companies that, in the opinion of the fund's management, meet traditional investment standards and conduct their business in a manner that contributes to the enhancement of the quality of life in America. In other words, this is a *socially responsible fund*.

The fund's managers use a two-step process to select stocks for the fund. First, NCM Capital Management Group, Inc. analyzes stocks according to traditional financial criteria to Dreyfus, Dreyfus then assesses whether a company enhances the quality of life in America by considering its record in the areas of:

- protection and improvement of the environment and the proper use of our natural resources
- occupational health and safety
- consumer protection and product purity
- equal employment opportunity

Consistent with its consumer protection screen, the fund will not purchase shares in a company that manufactures tobacco products. If Dreyfus' assessment does not reveal a negative pattern of conduct in these social areas, the company's stock is eligible for purchase. If Dreyfus determines that a company fails to meet the fund's social criteria, the stock will not be purchased, or if it is already owned, it will be sold as soon as reasonably possible, consistent with the best interests of the fund.

Portfolio Management

The Dreyfus Corporation ("Dreyfus"), the fund's investment adviser, has engaged NCM Capital Management Group, Inc. ("NCM"), to serve as the fund's sub-investment adviser. NCM, one of the largest minority-owned investment advisory firms, handles the day-to-day management of the fund's portfolio. Maceo K. Sloan is the fund's primary portfolio securities. Mr. Sloan has held this position with the fund since August 1994, and has been employed by NCM since 1986. Since May 1, 2001, Lincoln D. Carnam serves as the fund's primary portfolio manager with respect to its area of social concern. Mr. Carnam joined Dreyfus in February 1998 as portfolio associate for the small equity group. From December 1995 through January 1998, he was a portfolio assistant at Scudder Kemper Investments for international equity products with a focus in socially responsible portfolios.

Main Risks

While stocks have historically been a leading choice of long-term investors, they do fluctuate in price. The value of your investment in the fund will go up and down, which means that you could lose money.

The fund's socially responsible investment criteria may limit the number of investment opportunities available to the fund, and as a result, the fund may produce more modest gains than funds that are not subject to special investment considerations.

To the extent that the fund invests in midsize and small companies, the fund may incur additional risks because their earnings tend to be less predictable, their share prices more volatile and their

securities less liquid than larger, more established companies.

Please refer to the Prospectus for a more complete discussion of the fund's main risks. Please read the prospectus carefully before investing.

Industry Sectors*

Finance	16.16%
Health Technology	12.67%
Electronic Technology	11.75%
Technology Services	8.11%
Retail Trade	6.58%
Consumer Non-Durables	6.22%
Utilities	4.55%
Other	33.96%

Asset Allocation*

Common Stock: Domestic	89.83%
Short Term	7.73%
Common Stock: Foreign	3.00%

Top Ten Holdings*

Microsoft	3.25%
Pfizer	3.12%
Tyco International	2.95%
Coca-Cola	2.82%
American International Group	2.73%
Cendant	2.62%
Merck & Co.	2.41%
Johnson & Johnson	2.37%
Colgate-Palmolive	2.32%
Bank of America	2.19%

Historical Performance

2000	(12.90)%
1999	30.16%
1998	30.17%
1997	29.37%
1996	24.33%
1995	35.81%
1994	(7.45)%
1993	5.23%
1992	0.92%
1991	38.06%

*As of 9/30/01. Subject to change without notice.