



# KDCConnection

1ST QUARTER 2025



## Simplify your game plan with a rollover

Consider the benefits of combining all your qualified retirement assets into your KDC account.

When you transfer assets from other 401(a), 403(b), 401(k) and governmental 457(b) plans or individual retirement accounts (IRAs) into your KDC account through a rollover, you preserve the tax status of those assets.

This means that your tax-deferred assets from those other plans remain tax-deferred as you avoid current taxes and early withdrawal penalties. If you are rolling over Roth after-tax assets into a KDC Roth 457(b), Roth 401(k) or Deemed Roth IRA, after-tax contributions, earnings and qualified withdrawals are not subject to federal or state income tax.<sup>1</sup>

In addition, you get:

- Access to local Retirement Specialists and CERTIFIED FINANCIAL PLANNER™ professionals to assist as you manage all your assets — at no additional cost
- Potential loan availability
- Simplicity of account management with:
  - One set of investment selections
  - One set of beneficiary designations and other administrative functions
  - One set of administrative and investment fees, probably less than you're paying now



**Let's get the process rolling.**

**Contact a [Local Retirement Specialist](#) to determine whether your other retirement assets can be combined or consolidated with your KDC account.**

<sup>1</sup> A Roth distribution is qualified if (1) the first Roth contribution has been in the account for 5 years (the 5-year period begins January 1 of the year a member first makes a Roth contribution into the account); and (2) a member is 59½, or has died or has become disabled under IRC Section 72(m)(7). Distributions made prior to these requirements being met are considered to be nonqualified distributions, and earnings could be taxable.

Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from your account(s) may be subject to surrender charges, other fees and/or an additional 10% early withdrawal tax if withdrawn before age 59½. KDC and its representatives do not give legal or tax advice. Please contact your legal or tax advisor for such advice.

## Help cultivate lifelong growth to enjoy your future

This April, we're celebrating National Financial Literacy Month by offering resources to help you establish fresh financial habits and grow your financial knowledge.

Whether you are just starting your work career or approaching or living in retirement, our National Financial Literacy Month resources are all about helping you improve your financial know-how.

KDC is offering the following tips to help you grow your financial literacy.

### College students and early career

- Plant the seeds of savings in your budget
- Cultivate an emergency fund to cover 6 months of living expenses
- Begin saving for retirement early, and nurture your savings with small increases each year

### Midcareer

- Trim your budget as needed to stay on track for your goals
- Evaluate your savings options to determine whether they're still appropriate for you
- Regularly review your financial goals and track your progress

### Nearing retirement

- Start planning a retirement budget that accounts for changes in income and expenses
- Grow an emergency savings fund to cover 1 to 2 years of expenses
- [Log in to your account](#) at [kentuckydcp.ky.gov](http://kentuckydcp.ky.gov), then use My Income & Retirement Planner<sup>SM</sup> to help make a withdrawal strategy
- Work with a Specialist at no additional charge to help your retirement plans blossom

### Retirees

- Maintain but adjust your budget as needed
- Consider additional income sources, especially in early retirement
- Revise your withdrawal strategy as your financial needs change
- Keep tabs on legislative changes that may affect you
- Complete estate planning to ensure that your assets are distributed according to your wishes



In addition, consider the KDC Financial Planning Program, described in the article below.

### Plant the seeds for a prosperous financial future.



To learn more, visit [KDC's Financial Literacy Month webpage](#).

## Take advantage of KDC's free financial planning service



Conducted by CERTIFIED FINANCIAL PLANNER<sup>™</sup> professionals, our financial planning services can help you with:

- Setting short- and long-term financial goals
- Establishing savings for emergencies, college and health care
- Identifying retirement income resources
- Addressing potential gaps between retirement income and expenses
- Preparing a detailed Cash Flow Analysis and Retirement Income Plan

Learn how to get the most out of your access to this [no-cost financial planning service](#) by visiting our website.



## You heard it here first

**Our fee holiday** is projected to save participants about \$5.25 million in mutual fund asset fees this year.

**Fund change** — Assets in the Vanguard Total Bond Market Index — Institutional Fund (VBTIX) have been transitioned to the Vanguard Total Bond Market — Institutional Plus Fund (VBMPX), which drops the fund expense ratio from 0.035% to 0.030%.

**Visit the Nationwide GrowForth<sup>®</sup> page** on our website to jump-start your financial wellness journey.

**Visit the [webinars page](#)** on our website to learn about upcoming live events or to watch ondemand at your convenience.



## Finding the right asset allocation for you

Once you have decided how much money to contribute to your KDC account each payday, you need to decide where that money goes.

Retirement plan participants like you typically decide which asset classes and what percentage of contributions should go into each through a process called **asset allocation**. There are 3 major asset classes — stocks, bonds, and cash or cash equivalents — each with a different risk and return profile. Generally, the greater the potential risk, the greater the potential return.

To create your asset allocation strategy you should consider your:

- **Financial goals** — How well your retirement budget meets your goals may depend on the income you can generate from these investments
- **Time horizon** — The period between now and when you will begin to convert your investments into income, usually your retirement date
- **Risk tolerance** — Your comfort level with the possibility of investment loss

Many asset allocation strategies incorporate **diversification** as a key tactic. Diversification is the process of spreading money across several asset classes and, as your account grows, across several assets in each class. By investing in different asset classes, you reduce the risk of overall investment loss. The theory is if one asset class underperforms, others may perform better, helping to stabilize returns. Diversification within an asset class helps reduce the risk of loss from a single underperforming fund in that class.

Visit KDC's [investment options and concepts webpage](#), where you'll find useful materials and resources to help you make the right investment decisions for yourself, including 3 ways to build your investment portfolio:

- **Target date funds** — Select an investment option that aligns with your investing personality
- **My Investment Planner<sup>SM</sup>** — Find your investment style and suggested asset mix based on your target retirement date, personal goals and tolerance for risk

- **Managed account services** — Let an investment professional build and manage a customized portfolio for you, based on personalized information you provide

To review or revise your asset allocation, [log in to your KDC account](#).



## How a target date fund can help make investing easier

If you are unsure about how to manage your asset allocation or prefer not to manage it yourself, selecting a target date fund (TDF) from the Plan's menu of investment options could be the ideal solution.

A TDF is a mutual fund that is managed to become more conservative as you approach retirement — your target date. In the early years, the fund invests more heavily in growth-oriented assets, such as stocks. As the target date nears, the fund gradually shifts toward more conservative investments, such as bonds and cash equivalents.



### Benefits of using a target date fund

- Professional management: TDF portfolio managers adjust the fund's investments based on market conditions and its target date
- Diversification within a single fund: The fund manager invests to spread risk across various asset classes
- Automatic asset rebalancing: You don't have to make adjustments yourself as you get closer to retirement
- Convenience: Simply choose a fund with a target date closest to your expected retirement year, and the fund takes care of the rest

### Things to consider about TDFs

- Retirement assets held outside of the Plan might affect your overall asset allocation and diversification, the risks you've assumed and the fees you're paying
- TDF glide paths can vary widely, even among those with the same target date
- Investing in a TDF doesn't necessarily safeguard against losses or guarantee that you'll have enough income for retirement

For assistance in understanding how to use a TDF as an investment strategy, scan the QR code to read the "[What are target date funds?](#)" page on the KDC website or [contact your Kentucky Retirement Specialist](#).

To select a TDF or otherwise manage your investments, [log in to your KDC retirement account](#).

# Actions of the Board of Trustees

At the regularly scheduled quarterly meeting on March 28, 2025, the Authority Board of Trustees (Board) took the following actions:

- Approved minutes of the December 13, 2024, regular meeting, as submitted;
- Approved Joe McDaniel as the Chairman, and Sam Burchett as Vice Chairman;
- Approved Kevin Lynch and Bruce Dudley as members of the Investment Sub Committee;
- Announced passage of SB 104
- Reviewed Staff reports;
- Set the next quarterly meeting date for Friday, June 20, 2025, at 10:00 a.m. as a virtual meeting with the physical location in the Edgar C. Ross Boardroom at the State Office Building, 501 High Street, Frankfort, Kentucky.



For further information on these items, please call  
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at 800-542-2667.

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## Frankfort-based Internal Retirement Specialists

1-800-542-2667, option 4  
We are available to assist you by phone or in person Monday through Friday, 8 a.m. to 4:30 p.m.



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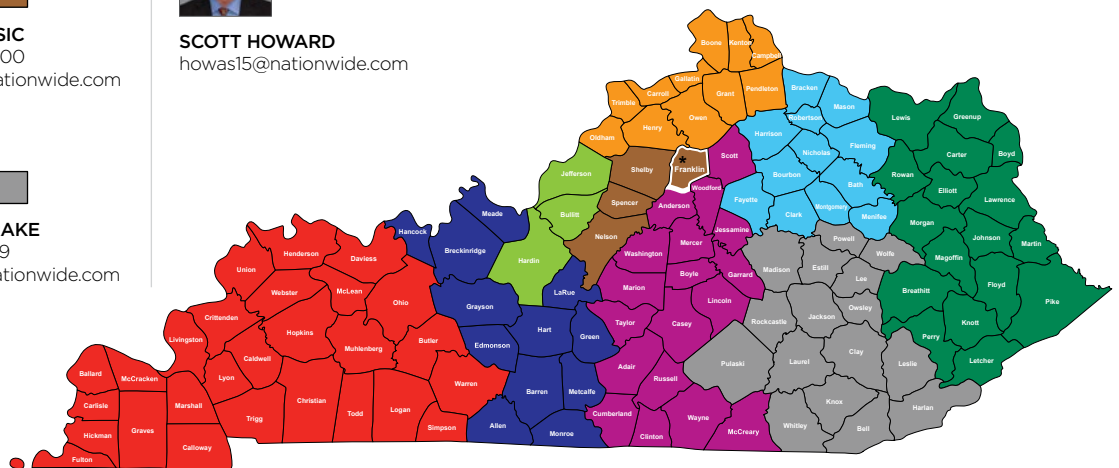
## Holidays: KDC offices closed

**FRIDAY, APRIL 18, 2025**  
GOOD FRIDAY (½ DAY)

**MONDAY, MAY 26, 2025**  
MEMORIAL DAY

**THURSDAY, JUNE 19, 2025**  
JUNETEENTH

**FRIDAY, JULY 4, 2025**  
INDEPENDENCE DAY



This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Investing involves market risk, including possible loss of principal. No investment program or strategy — including asset allocation and diversification — can guarantee to make a profit or avoid loss, nor can it eliminate risk. Actual results will vary depending on your investing and market experience.

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NIA assesses participants an asset-based fee for the managed account services.

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