KDC Connection

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

KENTUCKY PERSONNEL CABINET

2nd Quarter 2020

Don't let topsy-turvy markets upset your long-term strategy

Regular asset rebalancing can keep your investing on track.

When the markets go through a period of vast swings — **a condition called market volatility** — it can be easy to either worry about your investments or shut the whole thing out of your mind for a while. Neither response may be helpful for your long-term financial wellness.

KDC is here to help.

Market volatility can push your mix of investments out of whack. You could end up taking on more market risk than you want, or not investing as aggressively as you intend. That's where **asset rebalancing** can help.

For example, let's say you want to maintain an investment mix of 60% stock funds, 30% bond funds and 10% short-term investments. After a time, you may find that your mix looks more like 50% stock funds, 40% bond funds and 10% short-term investments. An asset rebalancing strategy brings your account back to the investment mix you originally set — **to make your account well again**.

As with any investing strategy, asset rebalancing and diversification cannot prevent you from losing money. However, these strategies may help reduce the effects of market volatility and potentially limit losses. Generally, retirement investors such as KDC participants tend be focused on goals that may be decades away.

Chances are that if you worked with a KDC Retirement Specialist when you set up your investment strategy, you talked about avoiding emotional investment decisions and weathering market volatility. We're still here, offering resources to assist as you make informed decisions about KDC participation.

Let's check "rebalance assets" off your list today.

You'll feel better and your retirement account will be better set for **achieving the long-term financial wellness** you're working for.

Contact your KDC Retirement Specialist or call us at 1-800-542-2667.

In This Issue

What the CARES Act may mean for you

On March 27, 2020, the federal government signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act, a $2 trillion stimulus bill aimed at helping the people, states and businesses devastated by the COVID-19 pandemic. This massive law covers a wide range of issues, but one provision of interest to Kentucky Deferred Comp participants deals with required minimum distributions (RMDs).

You may recall from the KDC Connection newsletter distributed with your statement in January that just before the end of 2019, Congress enacted the Setting Every Community Up for Retirement Enhancement Act, better known as the SECURE Act. That law raised the age to begin RMDs to 72.

The CARES Act waives RMD requirements for 2020.

This includes 2019 first-year RMDs that were deferred until April 1. In addition, there are no RMD requirements in 2020 for beneficiaries. Participants who already took an RMD in 2020 may redeposit the money back into their KDC account if it is completed within 60 days of receipt of the original distribution.

If you have questions, please contact your KDC Retirement Specialist listed on Page 4 of this newsletter or the KDC office at 1-800-542-2667.

Balance debt with saving for retirement

If outstanding debt has you delaying a decision to increase contributions to your KDC account, you could be missing out on potential long-term savings growth. Consider a slightly later payoff and contribute the difference to your KDC account — allowing compounding more time to work for your retirement needs.

Let's look at how you could prioritize retirement saving with loan repayments. Consider a hypothetical example of a KDC participant who is paying $500 a month on a 10-year, $35,000 student loan that charges 6% annualized interest. The terms of the loan require a minimum payment of $390. By repaying more than the minimum, she will save $10,594 in interest and cut the payoff period by 1.80 years.

Or she could contribute $55 per pay period ($110 per month) to her retirement account by reducing her loan payment to the monthly minimum. In doing so, she would accumulate $16,267 for retirement over the 10-year period while paying $10,594 in interest, a net savings of $5,673.

Scenario 1 $500 per month	
$500	Loan repayment
$0	Retirement savings
8.2	Years to payoff
$10,594	Saved on interest
$0	**Saved for retirement**

Scenario 2 $500 per month	
$390	Loan repayment
$110	Retirement savings
10	Years to payoff
$0	Saved on interest
$16,267	**Saved for retirement**

This example assumes a hypothetical 6% annualized interest on monthly payments on a student loan over a 10-year period, and and a 6% annual return on investments through a retirement plan. It is based on semimonthly contributions over a 10-year period. It's intended to illustrate the effects of time and compounding on investments. It is not intended to predict or project investment results and doesn't represent the actual performance of any investment or retirement plan program. These examples do not reflect any applicable fees or taxes. If these were included, the results would be lower. Investing involves market risk, including possible loss of principal. No investment strategy or program can guarantee to make a profit or avoid loss. Actual results will vary depending on your investment and market experience.

If you're looking for ideas about how you can work increased contributions into your budget, please contact your KDC Retirement Specialist listed on Page 4 of this newsletter or the KDC office at 1-800-542-2667.

Has your retirement account kept up with your life?

You may have noticed recently that life can fly by. You look up one day and realize that things have change. Perhaps you've moved. Perhaps you've changed your email address, or you've given up your landline phone number.

Right now would be a good time to make sure that your email address, preferred phone number and other information in your Kentucky Deferred Comp Account Profile is up to date. It's easy and takes just a minute or two.

Just log on to your account at kentuckydcp.ky.gov and click on your Profile. If changes are warranted, you can enter them in seconds.

While you're in your online account, consider signing up for Paperless e-Delivery. Once you're enrolled, you'll get the same KDC information as always. It will just get to you faster.

Using Paperless e-Delivery offers more benefits than just faster service. Here's just a few:

- Secure access to statements anytime
- Less paper means no extra storage space needed for paper statements
- Easy access to online educational tools to assist with planning for retirement when you visit the KDC website
- The ability for you to opt-out at any time

Review your beneficiaries

Finally, this is also a good time to review and, if appropriate, revise the beneficiary designation form on file with us. Marriages, divorces and births are among the many life events that can bring changes to your priorities. Updating the form takes just a few minutes and helps ensure that it reflects those priorities. And it, too, is easy.

Just download the form from the Support and Forms page at kentuckydcp.ky.gov. Then, complete, sign and mail the form to us.

Enroll now in Paperless e-Delivery

Log in to your online account at kentuckydcp.ky.gov

Call the KDC office at **1-800-542-2667**

Plan when to take Social Security before you decide

Filing for your Social Security benefit is one of the biggest financial decisions you'll make. That's why we call it the choice of a lifetime. Your choice on when to file could increase your annual benefit by as much as 76%.*

Before you decide, learn what your options may be. In our video, "Social Security — A Choice of a Lifetime," Dave Harris of the Nationwide Retirement Institute® explains the basics of Social Security and shares useful information to help you make your Social Security decision.

Watch Social Security — A Choice of a Lifetime

Go to the *Videos* page in the *Learning Center* at our website, kentuckydcp.ky.gov.

* Based on an individual with full retirement age of 66, comparing early filing at age 62 and receiving reduced benefits of 75% of the primary insurance amount versus delayed filing at age 70 and receiving credits to increase benefits by 32% of the primary insurance amount.

Actions of the Board of Trustees

At the regularly scheduled quarterly meeting on June 26, 2020, the Authority Board of Trustees (Board) took the following actions:

- Approved the minutes of the March 27, 2020, regular meeting, as submitted;
- Approved the extension of the Invesco contract;
- Set the next quarterly meeting date for Friday, September 25, 2020, at 10:00 a.m. in the DEI Training Room at the State Office Building, 501 High Street, Frankfort, Kentucky. This meeting will be conducted via video teleconference to be in compliance with Governor Beshear's COVID Executive Order.

For further information on these items, please call William C. Biddle, Executive Director, at 1-800-542-2667.

Calendar of *events:*

HOLIDAYS - OFFICE CLOSED

JULY 3, 2020
INDEPENDENCE DAY
KDC OFFICE CLOSED

SEPTEMBER 7, 2020
LABOR DAY
KDC OFFICE CLOSED

EDUCATIONAL WEBINARS
For topics and to reserve your spot, visit the bottom of the KDC Events page at **kentuckydcp.ky.gov**.

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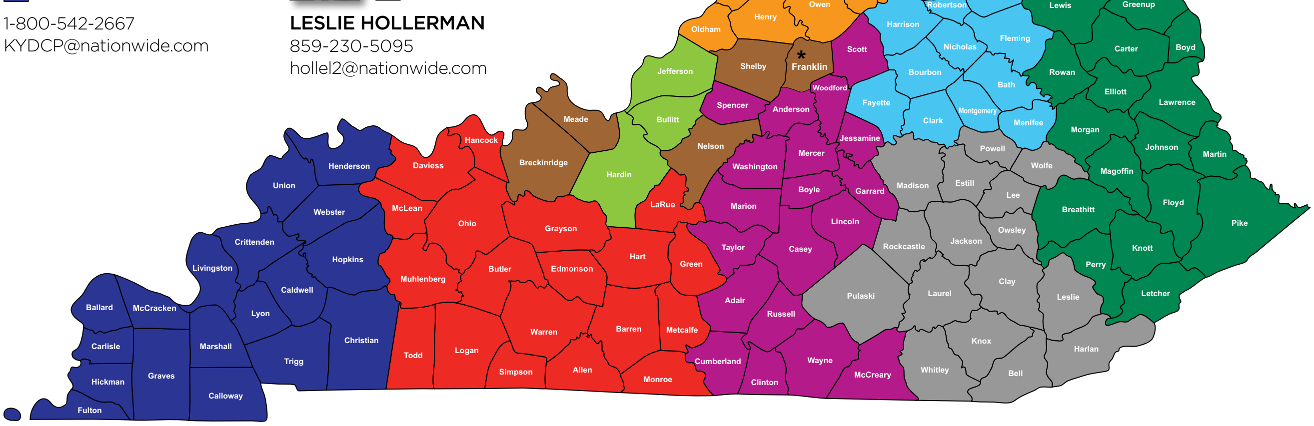

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