Kentucky Deferred Compensation

Program Summary

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

Kentucky Deferred Comp

Leading the way to financial security

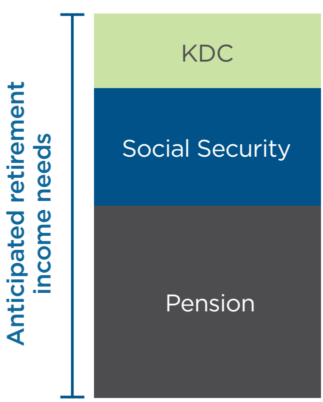
KENTUCKY PERSONNEL CABINET

What is Kentucky Deferred Compensation?

Kentucky Deferred Compensation (KDC) is a tax-deferred retirement savings plan offered to all state, public school employees, university employees and employees of local political subdivisions that have elected to participate.

Why participate?

Chances are Social Security benefits, plus your state and other system retirement will not provide enough income to maintain your current standard of living. You contribute to a supplemental retirement plan so you consistently save with the goal of having additional income at retirement. KDC helps bridge the gap between what you'll collect from your pension and what you need for retirement.



KDC Advantages:

Easy enrollment — Only one form and a few minutes are needed to get started.

You decide how much to save — Contribute as little as $30 per month or as much as the IRS allows.

Convenient — Contributions are automatically deduced from your paycheck.

Flexible — Change investments and contribution amounts whenever you want.

Accessible — Manage your account online any time, day or night, at **kentuckydcp.com**.

Low cost — As a Kentucky State Government program, KDC has no profit incentive. We pass our cost savings on to our participants.

Local reps — There are KDC Retirement Specialists located across the Commonwealth, so you are sure to have one near you.

Plan options & features:

» 457(b) Plan — pre-tax contributions

» 401(k) Plan — pre-tax contributions and the following after-tax contribution options:

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

Kentucky Deferred Compensation plan comparison chart

Upon establishing your account, you will need to decide where you want to invest your contributions. KDC offers both pre-tax and after-tax options that are intended to help you meet long-term objectives, such as generating retirement income. Remember, investing involves market risk, including possible loss of principal.

	457(b) Features	401(k)
Contribution Type	Pre-tax	Pre-tax
Are contributions tax-deferred?	Yes	Yes
Minimum Contribution	\$30 per month \$7.50 per weekly pay \$15 per bi-weekly pay \$15 per semi-monthly pay	\$30 per month[1] \$7.50 per weekly pay \$15 per bi-weekly pay \$15 per semi-monthly pay
Annual Contribution Maximum	\$18,500	\$18,500[2]
Annual Catch-up Contributions permitted?	**Yes:** age 50 catch-up and three-year special catch-up contributions (cannot use both in the same year)	**Yes:** age 50 catch-up (combined limit for all 401(k), Roth 401(k) and 403(b) annual contributions)
Distributions	Available upon separation from service, regardless of age	Available upon severance from employment, retirement, disability, death or in the year age 59½ is attained.
Taxes on distributions	Withdrawals taxed as ordinary income and not subject to additional 10% early withdrawal tax	Withdrawals taxed as ordinary income (if taken before age 59½, 10% early withdrawal tax is applicable)
Required Minimum Distribution (RMD)	Required at age 70½	Required at age 70½
Loans permitted?	Yes	Yes
Unforseeable Emergency/ Hardship Withdrawals Permitted?	Yes	Yes

[1]Minimum applies to the combined total of your 401(k) pre-tax and after-tax contributions
[2]401(k), Roth 401(k) and 403(b) combined contributions may not total more than \$18,500

Roth 401(k)	Deemed Traditional IRA	Deemed Roth IRA
After-tax	After-tax	After-tax
No	No	No
$30 per month[1] $7.50 per weekly pay $15 per bi-weekly pay $15 per semi-monthly pay	$30 per month payroll contribution or $100 per month direct contribution.	$30 per month payroll contribution or $100 per month direct contribution.
$18,500[2]	$5,500[3]	$5,500[3]
Yes: age 50 catch-up (combined limit for all 401(k), Roth 401(k) and 403(b) annual contributions)	**Yes:** age 50 catch-up (combined limit for all Traditional IRA and Roth IRA contributions)	**Yes:** age 50 catch-up (combined limit for all Traditional IRA and Roth IRA contributions)
Available upon severance from employment, retirement, disability, death or in the year age 59½ is attained.	Available at any time (see taxes on distributions)	Available at any time (see taxes on distributions)
Qualified[4] distributions not subject to federal income tax	Qualified[4] distributions not subject to federal income tax	Withdrawals may be subject to regular income tax and withdrawals taken before age 59½ may be subject to a 10% early withdrawal tax (other exceptions may also apply)
Required at age 70½ Note: Roth 401(k) account may currently be rolled into a Roth IRA, which has no RMD requirement during a participant's lifetime.	Participants are not subject to RMD's during their lifetime. Note: Beneficiaries are subject to RMD's.	Required at age 70½
No	No	No
No	No	No

[3]After-tax, aggregate contribution maximums coordinate with the Deemed Traditional IRA and any other Traditional IRA's you may have established

[4]Qualified distribution conditions include participant's death, disability, attainment of age 59 1/2 or if distribution is made five or more years after Jan 1 of the first year the participant made the Roth contribution to the plan

Paycheck impact

In this example, an employee with an annual salary of $30,000 contributing $50 per semi-monthly 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 paid to you. Earnings compound without taxation, allowing a potentially greater savings accumulation over time.

	Pre-tax[6] with KDC	After-tax[7] without KDC
Gross paycheck (24 pay periods)	$1,250	$1,250
Pre-tax deferred compensation deferral	$50	—
Taxable income	$1,200	$1,250
Federal & state taxes (includes Medicare & Social Security)	**$233**	**$244**
After-tax deduction	—	$50
Take-home pay	$967	$956

In this example, you save $11 per pay with pre-tax deferrals. $11 x 24 pay periods equals:

$264

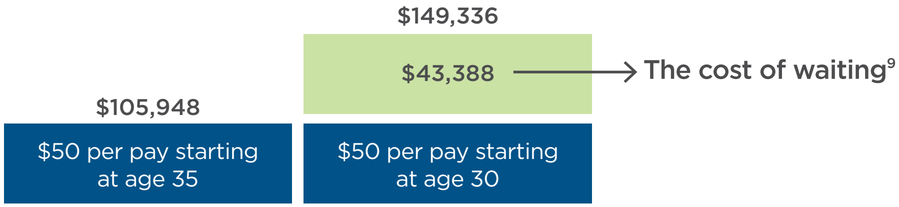
in annual tax savings[8]

[6]Assumes 2016 tax rates for a married Kentucky taxpayer with no children, filing jointly, using standard deduction. Federal and Kentucky taxes are based on wage withholding tables.
[7]Figures have been rounded for purposes of illustration.
[8]Chart assumptions: This hypothetical illustration assumes a 25% tax rate, $50 semi-monthly deferrals (24 pays 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.

Why start now?

Two important factors that may help your account grow are **time and compounding**.

Compounding is simply your money earning money. It's never too late to start saving and waiting can impact the amount you are able to save. Use time to your advantage and invest as much as you can throughout your career. Even conservative investing can potentially impact your plans for income in retirement.



[9]This illustrates the principle of time and compounding interest. It is based on 26 pays per year and uses an assumed yield of 6%. If fees, taxes, and expenses were reflected, the return would have been less. These hypothetical illustrations are not intended to predict or project the investment results of any specific investment. Investments involve market risk, including possible loss of principal. Past performance cannot guarantee future results.

Get started today. We can help.

1.800.542.2667 or 502.573.7925

www.kentuckydcp.com

Kentucky Deferred Comp
Leading the way to financial security

KENTUCKY PERSONNEL CABINET

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.com.

KDC Retirement Specialists are registered representatives of Nationwide Investment Services Corporation, member FINRA. The information they provide is for educational purposes only and is not investment or tax advice.

NRM-9560M1 (04/18)