



Kentucky **Deferred Comp**

The Kentucky Public Employees'
Deferred Compensation Authority

What is Kentucky Deferred Comp?



The Kentucky Public Employees' Deferred Compensation Authority (Kentucky Deferred Comp or KDC) is **THE OFFICIAL SUPPLEMENTAL RETIREMENT SYSTEM FOR THE EMPLOYEES OF THE COMMONWEALTH OF KENTUCKY, PUBLIC EDUCATION, AND LOCAL PROGRAMS.** KDC is authorized by **KRS 18A.230—18A.350.**



What is the Employer Cost to offer KDC?



- The Employer Cost to offer KDC is zero.
- KDC receives NO GENERAL FUND REVENUE and is COMPLETELY SELF-FUNDED.

What does KDC cost a Participant?



- KDC is a gov't. plan that operates like a non-profit; investments made with KDC are institutional and cost less than their retail equivalent.
- Participant fees range from a free 1st year to a maximum of \$237 per year; this maximum fee generally is reached when an account reaches \$125,000.
- The KDC Board of Trustees is committed to the continued reduction of Program expenses where possible.

KDC Board Composition



- KDC is administered under the direction of a seven (7) member Board of Trustees (Board) and an Executive Director.
- Four (4) of the members are ex-officio (State Treasurer, State Controller, Secretary of the Finance, Secretary of Personnel; while the other three (3) are at-large and serve four (4) year terms.
- The Board meets quarterly.

How long has KDC been in existence?



- The 457(b) Plan has been offered since 1975.
- The 401(k) Plan has been offered since 1986.

All plans are reviewed and approved by the Tax Exempt Governmental Entity Division of the Internal Revenue Service (IRS).

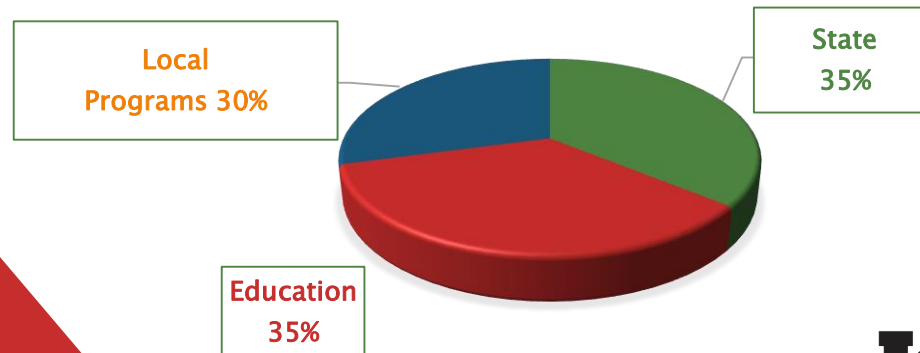
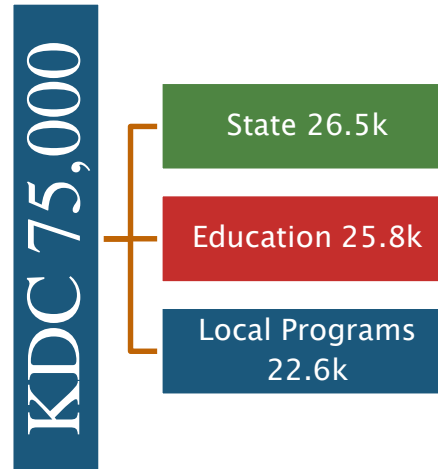
What retirement plans does KDC offer?



KDC offers the following defined contribution savings plans:

	457(b)	401(k)	IRA
2019 Limit	\$19,000	\$19,000	\$6,000
>50 Catch-up	\$25,000	\$25,000	\$7,000
Pre-Tax	YES	YES	YES
After-Tax	NO	YES	YES

How many participants does KDC service?



Employee Participation Rates



STATE

- 26,525
- 10,749
- 1 OF 3 eligible deferring



EDUCATION

- 25,831
- 10,334
- 1 OF 9 eligible deferring



LOCAL PROGRAMS

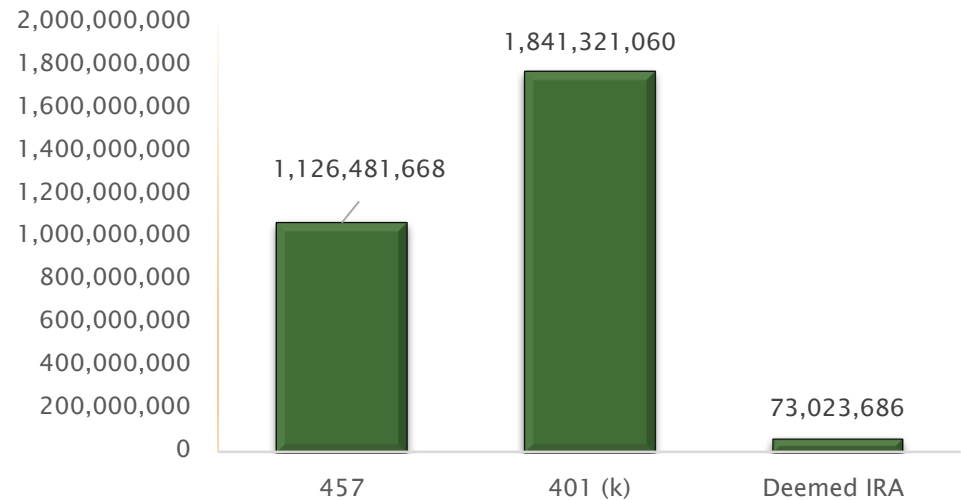
- 22,603
- 10,135
- 1 OF 9 eligible deferring

How large are KDC's AUM?



- \$3 billion dollars in assets

Assets



The average participant account balance totals \$39,900.00.

Who provides KDC recordkeeping,
marketing & communications services?



Nationwide®
is on your side

Currently all three of these services are provided by Nationwide Retirement Solutions (NRS) per the state procurement process (via RFP). Additionally, sixteen KDC administrative staff also support the enterprise.



Who makes the investment decisions in KDC?



Participants make their own investment elections from a spectrum of investment options approved by the Board with assistance from a third-party investment consultant; also selected via the state procurement process (via RFP).

KDC Investment Options



Currently, there are over twenty investment options; counting the target-date funds as one option.

Participants invest via any of the following methods:

- 1) Self selection;
- 2) Target Retirement Date funds; or
- 3) Managed account service (currently Nationwide ProAccount); incurs a service fee.



KDC Investment Fund Structure



	Tier II - Passive Core \$491,051	Tier III - Active Core \$519,435	Tier IV - Specialty \$1,376,130
	<u>TIPS</u> Vanguard Inflation-Protected Securities \$9,231	<u>Money Market</u> Invesco Short Term Gov. Agency \$9,882	<u>Stable Value</u> Fixed Contract \$672,202
	<u>Market Duration Bond</u> Vanguard Total Bond Market Index \$56,410	<u>Intermediate Term</u> MetWest Total Return \$59,901	<u>All Cap Equity</u> Fidelity Contrafund \$300,289
	<u>US Large Cap Core</u> Vanguard Institutional Index \$292,689	<u>Real Assets</u> PIMCO All Assets \$2,847	<u>Large Cap Growth</u> Fidelity Growth Company \$271,745
Tier I - Target Date \$476,415	<u>Non-US Equity</u> Vanguard Total International Stock Index \$6,926	<u>Developed International</u> Dodge & Cox International Stock \$40,393	<u>Developed International</u> American Funds EuroPacific Growth \$95,250
<u>Lifecycle Funds</u> Vanguard Target Retirement Funds \$192,243	<u>US Mid Core</u> Vanguard Mid-Cap Index \$77,773	<u>Mid Cap Core</u> T. Rowe Price Inst Mid-Cap Equity Growth \$348,544	<u>Developed International Small Cap</u> DFA International Small Company \$23,630
<u>Balanced</u> Vanguard Wellington \$284,173	<u>US Small Core</u> Vanguard Small-Cap Index \$48,022	<u>Small Cap Core</u> AMG GW&K Small Cap Equity \$57,869	<u>Emerging Mkts Equity</u> Aberdeen Emerging Markets \$13,014

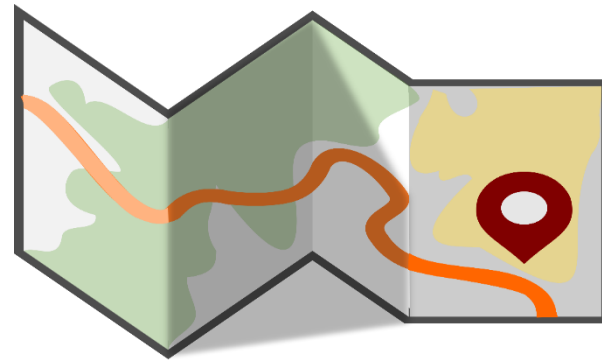
* All dollar figures are rounded to the thousands.

Together; KDC with KY Personnel Cabinet



Beginning in 2016, the KY Personnel Cabinet began a coordinated effort to provide benefits to employees as one total benefits package. Working in concert with other PERS agencies to utilize shared information, message coordination, and unity of purpose; we now communicate, educate, and ultimately deliver the benefits our employees are entitled in a much more effective and efficient manner.

Where we are going....



- Continued co-operation with PERS/Webinars
- Business operations modernization/MUNIS
- Personal Retirement Consultant
- Unprecedented growth with Auto Enroll

Auto Enrollment at a glance....



In 2019 Legislation was passed for Auto Enrollment. Beginning July 1, 2019, all new employees (FT) hired by the Commonwealth of KY Executive, Judicial and the Legislative Branch will be automatically enrolled in the KDC 401(k) plan.



Auto Enrollment deferrals



All new employees will defer \$15 per pay



OR \$30 per month on a pre-tax basis.



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Auto Enrollment guaranteed 90 day return



Contributions will be invested in KDC's Fixed Contract Fund (interest-bearing account 2.42% q4) for the first 90 day opt-out period, the assets will be exchanged and future contributions invested into the Vanguard Target Retirement Fund most appropriate to your age.



Auto Enrollment rights



Employees can:

- Elect a greater contribution amount than \$30 per month, and can change contribution usually within a day.
- Designate beneficiaries.
- Terminate contributions at any time.
- Opt out or stay in the Plan; you have 90 days after your first deferral to decide. (If opting out <90days, you will receive a refund of your contributions and the associated interest with no penalties.)

Auto Enrollment options



Employees may:

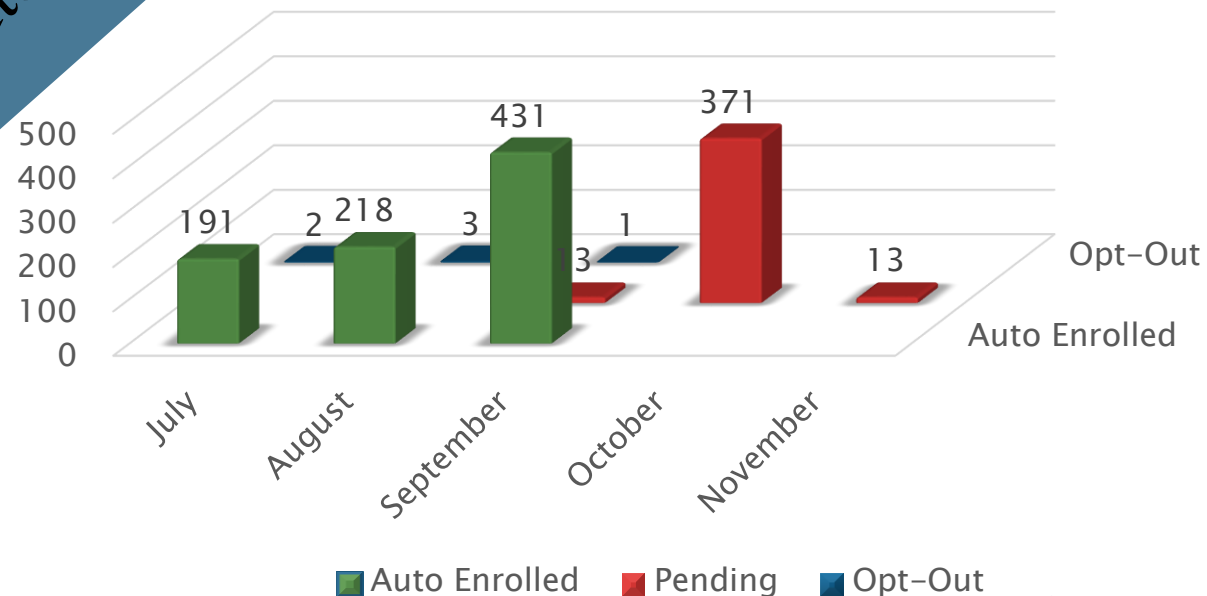
- Claim a retirement savings contribution credit depending on income and IRS limits. (tax credit)
- Choose from any investment options the KDC Plan offers, and change them basically at any time; employees assume the responsibility of the risks and fees associated with their choices.
- Choose ProAccount; a managed account service, available for an additional fee, designed to help take the guesswork out of retirement investing.



Auto Enrollment options



Auto Enrollment Breakdown





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800-542-2667

Kentuckydcp.com