

**MATTHEW G. BEVIN**  
GOVERNOR




**THOMAS B. STEPHENS**  
SECRETARY

501 HIGH STREET, 3RD FLOOR  
FRANKFORT, KENTUCKY 40601  
PHONE: (502) 564-7430  
FAX (502) 564-7603  
[HTTPS://PERSONNEL.KY.GOV](https://personnel.ky.gov)

**MEMORANDUM**

**PERSONNEL MEMO 19-06**

**To:** Constitutional Officers  
Cabinet Secretaries  
Agency Heads  
HR Administrators

**From:** Thomas B. Stephens, Secretary 

**Date:** June 11, 2019

**Re:** SB 107, Auto-Enrollment for Deferred Compensation

---

On March 22, 2019, Governor Bevin signed into law SB 107, automatic enrollment in the Kentucky Public Employees' Deferred Compensation Authority plans. SB 107 will become effective July 1, 2019. As you know, the Kentucky Deferred Compensation Authority (KDC) is the official supplemental retirement plan for public employees, offering both 401(k) and 457(b) retirement plans.

Auto-enrollment will default all *new* state employees into a KDC 401(k) account as part of onboarding, similar to joining the Kentucky Employees' Health Plan. Auto-enrollment will apply to employees of the Executive, Legislative, and Judicial branches. The minimum investment is \$30 per month (\$15 per pay period), pretax, but employees may elect a larger deduction. Employees can opt-out at any time, and at no cost, up to the 90<sup>th</sup> day of employment. Furthermore, employees may cease participation at any time after the 90<sup>th</sup> day and keep whatever the investment balance is of their account. All employees that do not make an alternate selection will be defaulted into a Target-Date Fund (currently, Vanguard Target Retirement Funds based on their anticipated Medicare eligibility age). The first year is free to new employees. After that, KDC charges a fee of .32%.

The ultimate goal is to have employees be financially well prepared for life after state government. In the absence of auto-enrollment, the participation rate among new hires is approximately 20%. With auto-enrollment those numbers reverse and plans see an 80% participation rate! This contributes to the financial wellbeing of employees. Moreover, KDC provides financial literacy to participants via educational resources, such as conferences and webinars to better educate employees on how to retire comfortably. Contributions to KDC are pretax and may reduce participants' gross income for tax purposes. Additionally, the federal government has a program for lower income participants called the Savers Credit that offers an additional tax rebate of up to 50% of the contribution. See: <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>.

HR Administrators will receive guidance pertaining to the auto-enrollment process, however; additional questions surround SB 107, should be directed to the Deferred Compensation Authority at (800) 542-2667 or (502) 573-7925.