Kansas Public Employees Deferred Compensation Plan
Supplemental Frequently Asked Questions

1. Are total expenses applicable to each fund reflected on the fund fact sheets?
Yes. Total (gross) fund expenses are identified in the fund fact section of the fact sheet for each of the funds. For the Stable Value option, the fee is reflected in response to the question "What are the Fees?" You will note that the fund fact sheets include language specifying that, if offered through a retirement plan, additional fees and expenses may apply.

For the Kansas Plan, none of the funds, except for the five Vanguard target date funds, have any additional fees or expenses. For each of the five Vanguard target date funds, there is an ING administrative expense of 0.29% in addition to the fund expense of 0.21%. Thus, the total fee for these five funds is 0.50%, which is reflected on the "What Does it Cost to Participate?" brochure included in the ING transition booklet.

2. The new fixed option, Stabilizer, reflects a fee. We never saw a fee with the current Fixed Account. Please explain how this affects participants.
One of the differences between the new Stable Value Option and the current Fixed Account is the disclosure of fees. Going forward for the Kansas Plan, fees for the Stable Value Option will be disclosed in the same manner as fees for the variable options offered under the Plan. While the current Fixed Account does not describe an explicit fee, there is an expense factored into the Fixed Account and deducted prior to declaring the credited interest rate. For the current Fixed Account, the credited interest rate net of all expenses is 4.30%. For the new Stable Value Option, the credited interest rate net of all expenses (fully disclosed at 0.85%) is guaranteed not to be lower than 5.00% through 2008. The safety of the interest rate guarantees of the Stable Value Option is dependent on the claims-paying ability of ING Life Insurance and Annuity Company.

3. The fund fact sheets refer to 12b-1 fees in the discussion about expenses. How do I know if these fees apply?
The fund expenses that apply to each fund are detailed in the fund fact section of each fund fact sheet*. This section identifies the applicable expenses and provides the gross (or total) fund expense for the fund. For each fund, this total fund expense can be comprised of investment advisory fees, management expenses, 12b-1 fees, and/or other expenses. Therefore, any 12b-1 fees or other fees are included in the total fund expense and are not in addition to it. The total fund expense for each fund is shown on page 12 of your transition booklet in the chart "How Much Does It Cost to Participate?"

12b-1 fees are a component of the total expense and apply only if specifically identified in this fund fact section. Currently, only two of the investment options offered under the Kansas Plan include 12b-1 fees: Columbia℠ Acorn® Fund – Class A, and Baron Growth Fund.

*Note: The five Vanguard target date funds have an additional 0.29% administrative expense as noted in Question #1. Because it not a fund expense charged by Vanguard, it does not appear in the fund fact section of each target date fund fact sheet. However, it is included in the chart “How Much Does It Cost to Participate” on page 12 of the transition booklet.

4. A reference to redemption fees is included in some of the fund disclosure material. Are there any redemption fees applicable to the investments in the Kansas Plan?

Our disclosure material is required to include a reference to redemption fees because any of the fund options could, at some point in time, implement a redemption fee. *Currently, none of the investment options offered under the Kansas Plan include a redemption fee.*

A redemption fee is a charge by a mutual fund company to discourage investors from making a purchase, typically a transfer, followed by a sale within a short period of time (often referred to as a “round trip”). Most redemption fees will be assessed upon the sale of the fund occurring within a specified period (e.g., 30 days). Mutual fund companies impose redemption fees to discourage market timing and other short-term trading strategies which can increase the operating costs of the fund and penalize long-term investors.

If, at some later date, any of the funds were to implement a redemption fee, the State would determine whether it was appropriate to continue to offer the fund in light of the addition of a redemption fee. If the fund was to be maintained, we would communicate to all participants regarding the redemption fee in order to provide as much time as possible for participants to decide how the terms of the redemption fee would affect them and what steps, if any, they would choose to make in light of the fee. Likewise, participants would be informed if a decision was made to eliminate a fund as a result of the imposition of a redemption fee.

5. The Stable Value Option fund fact sheet says that "under some types of stable value arrangements, your plan could incur losses that would result in a negative adjustment to your account balance." Is that true of the Stable Value Option for our State of Kansas Plan?

Under the Stable Value Option, your contributions accumulate interest at a steady annual rate, declared in advance. Through 2008, that credited rate of interest will be at least 5.00%. The language on the fact sheet is intended to address a situation that could occur upon the State's discontinuance of its contract with ING. This language will be clarified on the updated fact sheet and the restated language will be as follows. "At contract discontinuance, your employer has the right to elect an immediate liquidation of the contract or an installment payout over time. If an immediate liquidation is elected, your account may be negatively adjusted, depending on the value of the portfolio on the liquidation date."

The State has contracted with ING to manage the credited rate of interest for the Stable Value Option during the term of the contract, and the State will work to manage the transfer of the fund's assets upon contract discontinuance or renewal to avoid or minimize negative adjustments.

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Variable investment options offered under a funding agreement are intended as long-term investments designed for retirement purposes. Money distributed will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than the original amount invested. ING Stabilizer[SM] is offered under a group annuity contract. An annuity does not provide any additional tax deferral benefit; tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject.

The Participant Information Booklet and fund prospectuses contain additional information about the expenses associated with these funds. ***You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Fund prospectuses containing this and other information can be obtained by contacting your local representative. Please read this information carefully before you invest.***

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