

# American Funds Establishes Purchase Block

In addition to the Authority's Market Timing policy, certain mutual fund houses have chosen to implement their own excessive trading policies. American Funds instructed the Authority and its recordkeeper to implement its newly created *Purchase Block*, effective at the close of business September 29, 2006, in an effort to reduce excessive trading within its funds.

This policy impacts both of the American Funds currently in the Kentucky program — the American Funds EuroPacific Fund and the Growth Fund of America — and stipulates that where an exchange with a value equal to or greater than \$5,000 is made out of an American Fund, an exchange of \$5,000 or more back into that same fund will be **blocked** for a period of 30 calendar days from the date of the exchange out.

The Authority will advise you of additional frequent trading policies implemented by mutual fund companies which affect funds in the Kentucky program as they occur. For more information, please contact the Authority office at 502.573.7925 or 1.800.542.2667.

## "Watch List" Update

The Board of Trustees (Board) of the Kentucky Public Employees' Deferred Compensation Authority (Authority) has adopted investment guidelines, which constitute a part of the Investment Policy Statement for the Authority 401(k) and 457 Plans. The Watch Policy assists the Board in its review of the investments held in Authority Plans and assessment of Plan investment options in comparison with investment evaluation standards and measures of performance.

If you would like a copy of the Authority's Watch Policy, Investment Policy Statement, or the list of fund options currently on "watch" status, please contact Claudia Morton at 1.800.542.2667.

### Authority Board Actions

At its August 16 meeting, the Board also took the following actions:

- Adopted the Investment Committee's recommendation to retain INVESCO Worldwide Fixed Income as the Fixed Contract Fund's discretionary manager.
- Maintained the following funds on the Watch List: Neuberger Berman High Income Bond Fund, J P Morgan Diversified Mid Cap Value Fund, and The Fidelity Freedom Funds. **Fund prospectuses can be obtained by calling 1.800.542.2667. Before investing, carefully consider the fund's investment objectives, risks, and charges and expenses. The fund prospectus contains this and other important information. Read the prospectuses carefully before investing.**
- Adopted Authority staff's recommendation to reopen the current Nationwide Retirement Solutions (NRS) contract in order to negotiate the addition of one licensed marketing representative, bringing the total number of field marketing representatives to nine.
- Adopted legal counsel's recommendation to add Amendment No. 10 to the 401(k) Plan. This amendment changes the definition of Year of Service for vesting purposes and adds several technical provisions.
- Held swearing-in ceremonies for two new ex-officio members: John R. Farris, Secretary, Finance and Administration Cabinet; and Brian J. Crall, Secretary, Personnel Cabinet.
- Set the next quarterly Board meeting date as Wednesday, November 15, 2006, 9 a.m.

**Disclaimers:** *The Watch Policy and watch-listed funds should not be relied upon to invest or exchange Plan fund options and the Watch Policy does not constitute investment advice. Each Plan participant is responsible for his/her own individual investment selections and any resulting gains or losses. Participants should read fund prospectuses carefully before investing.*

### Fixed Contract Fund Rate

A blended net crediting rate that will yield 4.65% is in effect for the Fourth Quarter 2006. The rate was 4.55% for the previous quarter.

