



*Kentucky's Affordable Prepaid Tuition*

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Dear KAPT account owners,

May 15, 2014

I am writing to inform you of changes to Kentucky's Affordable Prepaid Tuition (KAPT) program. It is the responsibility of the KAPT Board to administer the program in a way that addresses the interests of the Commonwealth of Kentucky and that is sustainable for the families that purchased college prepaid tuition plans. During the 2014 General Assembly, House Bill 279 was passed to preserve the original statutory intent of KAPT program benefits. On April 7, 2014, Governor Steve Beshear signed the bill into law.

The legislative changes address three main areas:

- Establish a maximum on account value growth beyond the Projected College Entrance Year (PCEY)
- Limit the rate of return for non-educational use of KAPT accounts
- Establish an end date for the KAPT program of June 30, 2028

These changes will have **no** effect on accounts used as originally intended and at the PCEY provided by purchaser at the time of enrollment in the KAPT program.

To help you understand these changes, enclosed is a *Common Questions and Answers* document prepared by the KAPT program office. If you have specific questions about your account, please call our KAPT customer service line at 1-888-919-KAPT.

Sincerely,

John Cheshire  
KAPT Chairman of the Board



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Common Questions and Answers:

Question: *Why is the KAPT program making these changes?*

Answer: The current parameters of the KAPT program allow for certain unintended outcomes that are adding millions of dollars of liability to the program. The newly adopted legislation will address those issues that allow for the use of KAPT outside of the original statutory intent of the program.

Question: *How will these changes affect my account?*

Answer: They will not affect your account if you use the benefits for the child you purchased them for, and if you use them at the projected college entrance year that was provided at the time of enrollment.

Question: *Why are the changes being made now?*

Answer: The state is trying to strengthen the program by establishing new guidance of non-educational use of KAPT benefits and identifying an exact closure year (2028) for the program. Doing this now will give KAPT families fourteen years to make plans as it relates to their individual account.

Question: *When will the new guidelines take effect?*

Answer: The effective date of these legislative changes is July 15, 2014.

Question: *How will the legislative changes affect my child's unused KAPT account?*

Answer: They will not, provided you use the account benefit hours for educational purposes within the normal benefit use timeline (Utilization Period).

Question: *What does the term Utilization Period mean?*

Answer: Utilization Period is the period of time in which KAPT benefits are to be used based on the Projected College Entrance Year and continuing for the number of KAPT years purchased.



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Question: *When did I establish my beneficiary's Utilization Period?*

Answer: The Utilization Period was established when you declared the Projected College Entrance Year of your beneficiary on the KAPT Application for Enrollment.

Question: *Do I have to use KAPT benefits once my beneficiary reaches college age?*

Answer: No, but with the newly established Utilization Period (based on Account Owner declaration of Projected College Entrance Year on KAPT Application for Enrollment) it would be in the beneficiary's best interest to use KAPT benefits as originally intended. Additionally, June 30, 2028, has been established as the program close date. At that point, all remaining KAPT funds must be transferred to another qualified tuition program or refunded to the Account Owner.

Question: *Will these program adjustments change the way I request KAPT benefit payments?*

Answer: No, the processes to request KAPT benefits will not change.

Question: *What happens now if I change by beneficiary?*

Answer: The value of the account is still tied to the original child's Projected College Entrance Year as well as their Utilization Period for the new beneficiary.