



ILLINOIS STATE BOARD OF INVESTMENT

180 North LaSalle Street, Suite 2015
Chicago, Illinois 60601

February 5, 2015

Dear State of Illinois Deferred Compensation Plan Participant:

The Illinois State Board of Investment (“ISBI” or the “Board”) has worked closely with the State of Illinois Deferred Compensation Plan’s (the “Plan”), retained investment professionals, including its Recordkeeper, T.Rowe Price, and its Consultant, Marquette Associates, to review the Plan and ensure its compliance with industry best practices.

One issue of particular concern is the outsized allocation of assets to the small-cap growth option. Conventionally, in both defined contribution plans and defined benefit portfolios, small-cap growth investment options are used to enhance and add returns to a broader, diversified equity allocation. Heavy allocation to small-cap stocks exposes investors to significant risk and is inconsistent with industry best practices. As of June 30, 2014, the Plan’s small-cap growth option totaled \$1.1 Billion, or 29% of the Plan’s total assets, making it the largest allocation within the Plan. In comparison, the Plan’s Target Date Funds, which serve as a proxy for a recommended retirement portfolio, provide for a 3% allocation to small-cap growth stocks.

As a result, ISBI Staff and the Plan’s Consultant submitted a recommendation to the Board that the Plan proceed with re-enrolling its participants; such recommendation was approved by the Board at its regularly scheduled meeting, held December 5, 2014.

Through the re-enrollment process Plan Participants continue to have discretion to allocate whatever portion of their Plan account to small-cap growth, or any other investment option, as they may choose. However, in order to do so, each Plan Participant must affirmatively advise the Plan’s Recordkeeper of their investment allocation. **Failure to affirmatively advise the Plan’s Recordkeeper of the investment allocation decision will result in re-enrollment of the Participant’s investments to a Qualified Default Investment Alternative, the Target Date Investment Options.** Re-enrollment is scheduled to occur on April 24, 2015.

Over the coming months you will receive a number of communications, primarily from T.Rowe Price, informing you about the re-enrollment process and any applicable deadlines. Please contact a T.Rowe Price representative for additional information at (888) 457-5770 or access your account online at rps.troweprice.com.

Sincerely,

ILLINOIS STATE BOARD OF INVESTMENT

William R. Atwood
Executive Director