State of Illinois Deferred Compensation Plan

Congratulations!

You are immediately eligible to participate in the State of Illinois Deferred Compensation Plan (DCP). This brochure will provide you with the information you need to take advantage of this important benefit. Take a moment to read it carefully.

What is the DCP?

The DCP is a 457 retirement plan that allows you to invest for your future by contributing part of your pay, through payroll deduction, to a special retirement account. The DCP offers tax benefits that can help you save both today and tomorrow.

Eligibility

All State of Illinois employees, including contractual and temporary employees, are eligible to join the DCP. Once you enroll, it may take one or two pay periods for contributions to start being deducted from your paycheck.

It is easy to enroll

Follow these three simple steps to get started:

1. **Decide how much you'd like to save each pay period**

   The DCP makes it convenient to save with every paycheck. The important thing is to choose a savings amount and get started.

   Right now, simply save what you can. Just a little bit of savings today can go a long way in retirement. Consider setting aside 1% or 2% of your pay now—for many, that's a few dollars a week—and increase the amount by 1% or 2% each year. Work toward a recommended goal of 15%.

2. **Select how you want to contribute**

   The DCP offers various options for how to contribute. You'll find information about your contribution choices, such as before-tax and Roth contributions, in this guide.

3. **Choose your investments**

   Simply choose the path that suits your style and comfort with investing. Choose the pre-assembled path if you don't have the time or the expertise to create your own portfolio, or do-it-yourself by choosing among the investment options offered in the DCP. For more information about these two paths and a full list of investment options available to you, see page 2 in this guide.

Now that you're ready to enroll, complete the Central Management Services (CMS) enrollment form. To download the form, visit the CMS website at **state.il.us/cms/employee/defcom** or call **1-800-442-1300**.

Don't forget to name your beneficiary

When enrolling in the DCP, it's important that you name a beneficiary for your account so that your account balance will be handled the way you'd want in the event of your death. Contact CMS at **1-800-442-1300** for information on how to name your beneficiary. Or download and complete a beneficiary form at **state.il.us/cms/employee/defcom**.

Contributions to the DCP

Employee contribution limits

You may contribute as little as $10 per pay period or $20 per month to the DCP, whichever is greater. The maximum amount you can contribute is 100% of your pay, subject to IRS limits. (For current limits, visit the T. Rowe Price website at **rps.troweprice.com**.)

Employee before-tax contributions

Through your payroll deductions, you may contribute to the DCP by making before-tax contributions, which are made before taxes are taken out of your paycheck.

Before-tax contributions help you to lower your current taxable income. This means you can get a tax break now and keep more of your money in your pocket. Before-tax contributions also have the chance to compound tax-deferred. You pay taxes on the contributions and any earnings only when you take a distribution—generally when you retire.

Employee Roth contributions

You may also contribute to the DCP by making Roth after-tax contributions. Unlike before-tax contributions, Roth contributions are made with after-tax dollars, or money on which you've already paid taxes. The good news is that the balance of your Roth contributions and any earnings are not taxed when you take a qualified distribution.*

*__Roth qualified distributions:__ A qualified distribution is tax-free if taken upon the participant reaching age 59½, becoming totally disabled, or upon the participant's death **and** at least five years have passed since the year of participant's first Roth contribution. If your distribution is not qualified, any withdrawal from your account will be partially taxable. These rules apply to Roth distributions only from employer-sponsored retirement plans. Additional Plan distribution rules apply.

Employee catch-up contributions**

If you will turn 50 or older this year and are already contributing the maximum amount allowed by the DCP, you may contribute an additional amount of catch-up contributions up to the IRS limit. (For current limits, visit the T. Rowe Price website at **rps.troweprice.com**.)

Employee special 457 catch-up contributions**

If you do not defer up to the IRS contribution limit in any given year you are eligible, this provision allows you the opportunity to contribute some or all of these unused or underutilized deferral amounts. You may defer the special 457 catch-up contributions during the last three years before you reach your "normal retirement age" as defined in the Plan document. During these three years, you are able to defer your regular limit plus an amount that you were eligible to contribute in previous years but did not. Additionally, during those three years, you can defer before-tax and Roth contributions up to twice the IRS deferral limit amount in effect for that year.

For more information, contact CMS at **1-800-442-1300**.

**Please note that you cannot use both catch-up contribution options in the same calendar year, and you may not exceed the IRS catch-up contribution limits, which may vary each year.

Employee rollover contributions

You may consolidate your retirement savings by "rolling over" vested balances from other employers' eligible plans, including 401(k), 403(b), or other 457 plans. These amounts will be credited to your rollover contribution source within your Plan account.

Excess contributions

Contributions that exceed the maximum Plan limit are not allowed to remain in the DCP. It is your responsibility to stop or change the amount of your contributions so that you will not exceed the limit. If you go over the limit and a correction cannot be made through the payroll process, the excess contributions will be returned to you as taxable income as soon as possible.

Investments available in the DCP

Understanding that participants have different levels of experience and comfort with investing, the DCP gives you two ways to invest.

The pre-assembled path
Select one Retirement Trust for a professionally managed, date-based portfolio. This approach may be appropriate if you don't have the time, interest, or experience to create your own portfolio.

The do-it-yourself path
Choose among the DCP's other investment options to create your own diversified portfolio. This approach may be appropriate if you prefer to have more control over choosing and monitoring your investment strategy.

The pre-assembled path

Pre-assembled T. Rowe Price Retirement Trusts offer a convenient investing solution

When you choose a Retirement Trust, you get a pre-assembled and professionally managed investment with a diversified portfolio designed for a specific retirement date in a single step. Each Retirement Trust is made up of other T. Rowe Price trusts. That means you get a diversified mix of stocks and bonds, which helps the trusts' allocations stay on track.

Some of the benefits of investing in the trusts include:

- **One-step convenience**, so you don't need to mix and match them with other options.
- **Professional diversification** that may help reduce the impact of the market's ups and downs on your account. Of course, diversification cannot assure a profit or protect against loss in a declining market.
- **Stock exposure** that can help your retirement account outpace inflation and maintain its buying power.
- **Automatic rebalancing** among stocks, bonds, and conservative bonds that helps the trusts' allocations stay on track.

The principal value of the Retirement Trusts is not guaranteed at any time, including at or after the target date, which is the approximate year an investor plans to retire (assumed to be age 65) and likely stop making new investments in the trust. If an investor plans to retire significantly earlier or later than age 65, the trusts may not be an appropriate investment even if the investor is retiring on or near the target date. The trusts' allocations among a broad range of underlying T. Rowe Price stock and bond trusts will change over time. The trusts emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus on supporting an income stream over a long-term postretirement withdrawal horizon. The trusts are not designed for a lump-sum redemption at the target date and do not guarantee a particular level of income. The trusts maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility over shorter time horizons.

Retirement Trusts

If you were born…		You might consider the following Retirement Trust…
In 1993 or after		Retirement 2060 Trust
1988 – 1992		Retirement 2055 Trust
1983 – 1987		Retirement 2050 Trust
1978 – 1982		Retirement 2045 Trust
1973 – 1977		Retirement 2040 Trust
1968 – 1972		Retirement 2035 Trust
1963 – 1967		Retirement 2030 Trust
1958 – 1962		Retirement 2025 Trust
1953 – 1957		Retirement 2020 Trust
1948 – 1952		Retirement 2015 Trust
1943 – 1947		Retirement 2010 Trust
In 1942 or before		Retirement 2005 Trust

Depending on your risk tolerance, time horizon, and financial situation, you may consider a Retirement Trust with a different target date.

The T. Rowe Price Retirement Trusts (Trusts) are not mutual funds. They are common trust funds established by T. Rowe Price Trust Company under Maryland banking law, and their units are exempt from registration under the Securities Act of 1933. Investments in the Trusts are not deposits or obligations of, or guaranteed by, the U.S. government or its agencies or T. Rowe Price Trust Company and are subject to investment risks, including possible loss of principal.

The do-it-yourself path

Do-it-yourself investments offer added control

If you prefer a more hands-on approach, you can create and manage your own diversified portfolio by choosing among the DCP's investment options.

DCP investment lineup

Stock Investments	Style	Active vs. Passive
Ariel Fund Separate Account	Mid-Cap Value	Active
Franklin Small Cap Growth Fund (FSMLX)	Small-Cap Growth	Active
INVESCO International Growth Equity Trust	Non-U.S. Large-Cap Growth	Active
LSV Value Equity Separate Account	Large-Cap Value	Active
Northern Trust ACWI ex-US Fund	Non-U.S. Large-Cap Core	Passive
Northern Trust Collective S&P 400 Index Fund	Mid-Cap Core	Passive
Northern Trust Russell 2000 Index Fund	Small-Cap Core	Passive
Vanguard Institutional Index Fund (VIIIX)	Large-Cap Core	Passive
Wellington Diversified Growth Portfolio	Large-Cap Growth	Active
William Blair International Small Cap Growth Fund (WISIX)	Non-U.S. Small-Cap Growth	Active
Blended Assets Investments	**Style**	**Active vs. Passive**
Fidelity® Puritan® Fund (FPURX)	U.S. Balanced	Active
T. Rowe Price Retirement Balanced Trust	Balanced	Active

Bond Investments	Style	Active vs. Passive
T. Rowe Price Bond Trust, I	Core Fixed Income	Active
Vanguard Total Bond Market Index Fund (VBTIX)	Core Fixed Income	Passive
Stable Value/Money Market Investments	**Style**	**Active vs. Passive**
INVESCO Stable Return Fund	Stable Value	Active
Vanguard Prime Money Market Fund (VMRXX)	Money Market	Active
Target Date Investments	**Style**	**Active vs. Passive**
T. Rowe Price Retirement Trusts	Target Date	Active

For all investments in the lineup, participants can check daily valuations online at **rps.troweprice.com**.

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

Two approaches to investment management

As you can see, the DCP offers a variety of options in its investment lineup to ensure you have access to investments with a proven track record of consistent investment management, performance history, and appropriateness for long-term retirement investors. If you're an investor who likes choice, through the DCP, you have the option of creating an investment strategy using (1) actively managed investment options, (2) passively managed investment options, or (3) a combination of actively and passively managed investment options.

Actively managed investment options

Actively managed investment options are managed by a team of professionals who use research, financial analysis, and personal expertise to determine which securities to buy and sell. Unlike index (passive) investments, actively managed investments seek to outperform the market index. The potential to outperform the market is one advantage that actively managed investment options have over passively managed investment options.

WHAT IS A MARKET INDEX?

A market index is an imaginary portfolio of securities that represents a particular market or section of the market. Although you cannot invest directly in a market index, you can invest in an "index" mutual fund that is designed to mirror a particular index by investing in the securities that compose the index. For example, in a stock index, all the stocks generally have at least one trait in common—they might trade on the same stock market exchange, relate to the same industry, or have similar market capitalizations. Among the more widely known stock indexes are the S&P 500, the Nasdaq Composite, the Dow, the Wilshire 5000, and the Russell 2000.

There is, however, no guarantee that the investment manager will be able to beat market returns, and investment management fees can be higher than the fees charged by index (passive) options.

Each actively managed investment has a specific investment style and strategy included in its prospectus. Investment style refers to the way a portfolio manager chooses and manages the portfolio. While not a comprehensive list, the following includes the most common investment styles used:

- **Growth**: Emphasizes stocks that have the potential to outperform the market over time. These stocks tend to be more volatile and, therefore, more risky.

- **Value**: Emphasizes stocks that are considered undervalued but that have the potential to increase in value over time. However, not all value stocks realize an increase in price.
- **Blend**: Utilizes a combination of both growth and value investment styles.

Index (passive) investment options

Index investment options, which are passively managed, buy some or all of the stocks or bonds that make up a widely used market index (such as the S&P 500) with the goal of matching the index's market performance. An index investment option does not attempt to outperform the index in good times or bad times—it simply seeks to mirror the performance.

There are typically lower operating expenses associated with passively managed investment options than actively managed investment options. Since the index fund manager simply invests in the securities that make up the selected market index, the investment requires little management. And with the index holdings remaining fairly constant over time, turnover of securities in an index investment is low—resulting in lower fund costs. Passively managed investment options, however, may be more volatile than an investment that can shift its asset allocation based on market conditions or in response to trends in market sectors.

For instant access to investment information and interactive financial planning tools, visit the website at **rps.troweprice.com** > **Investments**, where you can view or download fact sheets for each investment in the DCP's lineup. You may also request fact sheets by phone at **1-888-457-5770**.

Call 1-888-457-5770 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

Withdrawals from the DCP

When you leave employment with the State

When you leave employment with the State, you may choose a lump-sum distribution, a partial distribution, a rollover, installment payments, or a combination of these methods.

If you become employed by another state or local government, you may be able to transfer your DCP account balance to another 457 plan. In addition, you can roll over your proceeds to a nongovernmental entity's retirement program, individual retirement account (IRA), or eligible employer plan that accepts rollovers.

Upon your death, your account balance is paid to your beneficiary.

In-service withdrawals

While employed by the State, you may withdraw money only in the event of an unforeseeable emergency. Hardship withdrawals are permitted under special circumstances and must be approved by the DCP. All distributions due to unforeseeable emergencies are subject to taxation. You may take in-service withdrawals from your before-tax and Roth contributions. Withdrawals will be made from all of your before-tax contributions first, followed by any Roth contributions.

Loans

If you need money for a financial emergency or a major purchase, the DCP allows you to use your Plan account money as a loan before you retire without being penalized today. But there are also some drawbacks. When you borrow from your retirement account, you borrow from your future. Before you apply for a loan, it's wise to consider the impact a loan can have on your retirement savings account. Log in to **rps.troweprice.com** and visit the Loan Center for more information.

Loans are available to actively working, retired, and/ or separated from service employees, but they may not be taken from certain sources in your account (e.g., installment, divorce settlement, etc.). Loans will not be permitted from your Roth contributions. You may, however, take loans from any before-tax contributions, and Roth balances will be used in the calculation to determine how much is eligible for a loan. If you have a question about an available source in your account, please speak to a T. Rowe Price representative at **1-888-457-5770**.

There is a loan initiation fee of $75. The minimum loan amount you can borrow is $1,000. The maximum you may borrow is the lesser of 50% of your vested account balance or $50,000 minus your highest outstanding loan balance (a total of all your Plan loans, including 403(b) plans) from the preceding 12 months. You may not have more than one loan at any time from any state-run retirement plan (including 403(b) plans). Your loan plus interest must be paid within five years. If you leave employment with the State, you must repay your loan in full; otherwise, the outstanding balance will be considered a distribution. Loan repayments will be made via ACH from your bank account, and all loan payments will be debited from your account on the first day of every month.

Tax information

All contributions and investment earnings in the DCP are sheltered from current federal income tax. When you take money out of the DCP (a distribution), it becomes taxable as retirement income and subject to federal tax. Deferred compensation payments are not subject to Illinois income tax (out-of-state residents' payments may, however, be taxable under the income tax laws of those states). For federal tax purposes, distributions may be subject to a mandatory 20% withholding unless you directly roll them over to an eligible employer plan or a Traditional IRA. You may directly roll over a distribution from the DCP into a Roth IRA. The amount rolled into the Roth IRA is considered taxable income to you in the year of the rollover. Consult your tax advisor for details. A direct rollover is a distribution that is sent directly to the new trustee/custodian of your IRA or retirement plan.

Any withdrawal from your Roth contributions and related earnings is tax-free if the withdrawal is taken upon you reaching the age of 59½, becoming totally disabled, or upon death and at least five years have passed since the year of your first Roth contribution. Otherwise, any withdrawal from your account will be partially taxable. These rules only apply to Roth distributions from employer-sponsored retirement plans, such as the DCP. Additional Plan distribution rules apply.

Before taking money out of your account, please read the Rollover Options Notice that accompanies the distribution forms.

Need assistance with your account?

Contact T. Rowe Price

Visit **rps.troweprice.com** to manage your account, change investment elections, download CMS forms, review investment information, use planning tools, and more. Or call **1-888-457-5770** to speak with a T. Rowe Price representative. Representatives are available during business days between 6 a.m. and 9 p.m. central time.

Contact Central Management Services (CMS)

To enroll in the DCP or change your contribution amount, contact CMS at **1-800-442-1300**. You can also download CMS forms at **state.il.us/cms/employee/defcom**.

About your retirement plan service provider

T. Rowe Price is one of the nation's most respected leaders in retirement plan services and investment management. The Baltimore-based firm offers a unique combination of investment management expertise, world-class service, and extensive resources to help you prepare for a more secure retirement.

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