

## Q & A

### **Q. Can I defer from my lump-sum, sick, and vacation payout?**

**A.** Recently, final regulations to federal legislation differentiated between a lump sum deferral and a regular payroll deferral. The regular payroll deferral process has not changed. However, in order to be eligible to defer from a lump sum sick and vacation payout, the employer must make the payment available to the employee prior to the employee leaving service. In the case of a lump sum payout, leaving service is defined as “walking out the door” on the employee’s last day.

The State system does not allow for a payment of a lump sum deferral prior to the employee’s last day. The Program is investigating options to address this issue.

### **Q. When do I have to start taking distributions from my Deferred Compensation account?**

**A.** Once you separate from State service, the Internal Revenue Service (IRS) mandates that a person must begin receiving Required Minimum Distributions (RMDs) no later than April 1 of the year following the later of (a) the year in which the person reaches age 70½ or (b) the year in which the person retires. Any RMD amount must be considered and received separately from this Plan. These amounts cannot be coordinated with any individual retirement account (IRA) RMD amounts.

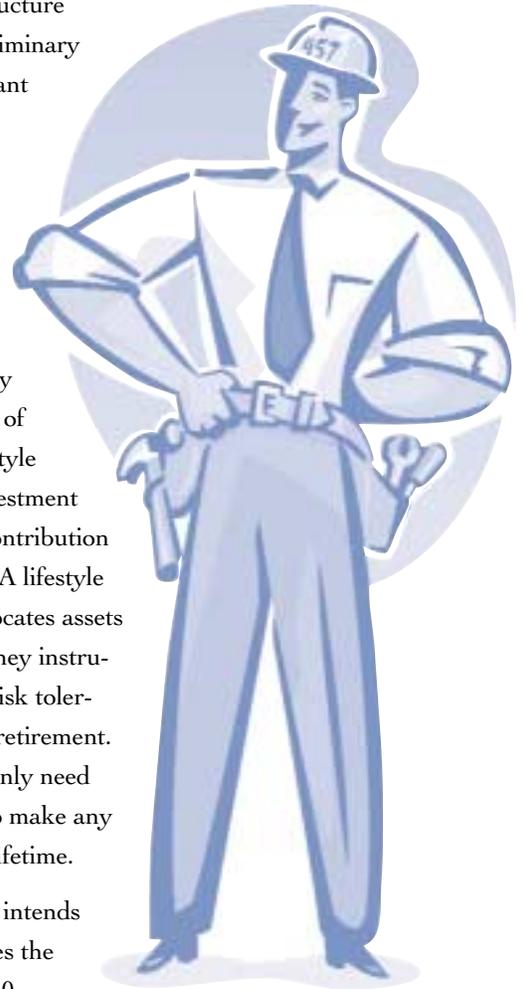
### **Investment Consulting Project**

The Deferred Compensation Division selected the consulting firm of Deloitte & Touche to perform the review of the Deferred Compensation Plan. The purpose was to provide an analysis of the current funds’ performance and the overall structure of the investment lineup. A preliminary report presented by the consultant states that there may be an opportunity to increase diversification opportunities and provide options that simplify the investment decision process for participants.

The most prominent opportunity lies with the addition of a series of lifestyle funds to the Plan. Lifestyle funds have become popular investment option alternatives in defined contribution plans over the last 5 to 8 years. A lifestyle fund’s professional manager allocates assets between stocks, bonds, and money instruments based on a participant’s risk tolerance or the number of years to retirement. In theory, a participant would only need one fund and would not need to make any changes throughout his or her lifetime.

For example, a participant who intends to retire in the year 2020 chooses the fund by the same name, the 2020 Fund. Assets are then automatically shifted toward less risky investments as the target retirement date approaches. Other than the original selection of the fund, there are no other investment decisions to be made. More specifically, the participant never needs to make an investment allocation decision.

The Division intends to release a request for proposal (RFP), ensuring the competitive bidding process, and add these types of funds to the Plan during 2005. You will continue to see articles and lifestyle fund investing discussions in future newsletters.





## 24 hours a day / 7 days a week

There are two ways participants in the Deferred Compensation Plan can access their T. Rowe Price accounts.

The Plan Account Line is a toll-free phone number that allows callers to:

- Check account balances
- Request statements
- Determine when the last contributions occurred
- Request literature
- Perform exchange transactions
- Check fund prices \ fund performance

Online access via the Internet allows participants to:

- View account information
- View transaction history
- Make transactions
- Track fund performance
- View quarterly statements early
- File account statements online

Both services are provided at no extra charge. You may need to call T. Rowe Price to receive a personal identification number (PIN) to get started. The telephone numbers are listed in the box on the opposite page under “Recordkeeper.” Once established, it is simple to keep track of your account, whenever you want.

## Distribution Election Changes

Deferred Compensation Plan participants have enjoyed the benefits of changes in the distribution rules for governmental 457 plans. Two major restrictions were repealed, allowing governmental 457 plans to provide participants with flexibility in distribution elections and distribution status. Simply contact the Deferred Compensation Office when you are ready to take a distribution of your account. Participants receiving distributions have the ability to start and stop their distributions at will or elect to increase or decrease their payments after commencement. This may be done once every calendar quarter. Remember, if you are age 70<sup>1/2</sup>, you are still subject to RMDs and can not cease your distribution altogether.

## Your Distribution Choices

- Total lump sum** A complete one-time distribution of the total value of your account.
- Partial lump sum** A single payment that can be followed by installments, or you can wait to resume any other payments.
- Installments** The installment amounts may vary. Payments can be made monthly, quarterly, semiannually, or annually. See schedule for distribution dates.
- You can choose:
- a definite number of years you want to receive payments,
- or
- a recalculation of your life expectancy annually to allow payments that would extend beyond your life expectancy at the time you separate state service.
- Fixed dollar installments** You decide the amount of each installment payment, which stays constant. Payments can be made monthly, quarterly, semiannually, or annually.
- Plan-to-plan rollovers** You may move your retirement plan assets between retirement plans in the public, private, education, and nonprofit sectors as you change employers in those sectors. Monies may be moved between 401(k), 403(b), and governmental 457 plans, as well as between Traditional IRAs.

## What are the Funds Investing in?

### Top 10 Holdings as of 6/30/2004

#### Fidelity Puritan Fund

Citigroup Inc.  
Fnma 4 30 year MBS  
ExxonMobil Corp.  
American International Group  
Bank of America  
Total SA (Fran)  
Fannie Mae  
Gnma 7 30 Year MBS  
Verizon Communications  
JP Morgan

#### Vanguard Institutional Index Fund

General Electric  
ExxonMobil Corp.  
Microsoft Corp.  
Pfizer Inc.  
Citigroup, Inc.  
Wal-Mart Stores Inc.  
American International Group Inc.  
Intel Corp.  
Cisco Systems, Inc.  
International Business Machines

#### T. Rowe Price International Stock Fund

Vodafone  
GlaxoSmithKline  
Royal Bank of Scotland Group  
Total  
Nestlé  
Shell T&T/Royal Dutch  
UBS  
BNP Paribas  
Compass  
Adecco

#### Columbia Acorn Fund

International Game Tech.  
XTO Energy, Inc.  
Skillsoft Pub Ltd Co  
Novell Inc.  
First Health Group  
Coach, Inc.  
Chicos Fas, Inc.  
Expeditors Intl Wa Inc.  
Peoples Bank Bridgeport Conn  
Americredit Corp.

#### Fidelity Fund

Citigroup Inc.  
Microsoft Corp.  
Pfizer Inc.  
General Electric Co.  
American International Group  
Wal-Mart Stores Inc.  
Viacom Inc.  
Morgan Stanley  
ExxonMobil Corp.  
American Express

#### Wells Fargo Large Company Growth Fund

Ebay  
Intel Corp.  
Medtronic Inc.  
Goldman Sachs  
Microsoft Corp.  
Cisco Systems  
American International  
First Data  
Paychex Corp.  
Charles Schwab

#### Ariel Fund

Ceasars Entertainment Group  
Lee Enterprises, Inc.  
Markel Corp.  
American Greetings Co.  
IDEX Corp.  
Janus Capital Group Inc.  
Invacare Corp.  
Neiman Marcus Group  
Vfalassis Communications, Inc.  
Herman Miller, Inc.

#### PIC Small Cap Growth Fund

NII Holdings  
Westcorp  
MSC Industrial  
United Surgical Partners  
Alliance Data Systems  
Strayer Education  
Macromedia  
Navigant Consulting  
CACI International  
Taro Pharmaceuticals

## Telephone Numbers

### Deferred Compensation:

Plan Rules/Options Information

800.442.1300

217.782.7006

TDD/TTY: 800.526.0844

Internet: [www.state.il.us/cms/employee/defcom](http://www.state.il.us/cms/employee/defcom)

### Recordkeeper:

T. Rowe Price Retirement Plan Services Account Value

Information and Investment Changes: 888.457.5770

TDD/TTY: 800.521.0325

Internet Access: 800.541.3022

Internet: [rps.troweprice.com](http://rps.troweprice.com)

### Fund Performance:

Columbia Acorn Fund: 800.922.6769

Ariel Fund: 800.292.7435

Fidelity Funds: 800.544.8888

Provident Investment Counsel: 800.618.7643

Stable Return Fund/INVESCO: 800.228.7466

T. Rowe Price Funds: 800.922.9945

Vanguard Funds: 800.523.8066

Wells Fargo: 800.222.8222

## Income and Price Information

### Second Quarter 2004

Transaction Date	Vanguard Bond Index	T. Rowe Price New Income <sup>1</sup>	Fidelity Puritan <sup>2</sup>	Fidelity <sup>3</sup>	Vanguard Inst. Index <sup>4</sup>	Wells Fargo Lg. Co. Growth	Columbia Acorn <sup>5</sup>	Ariel	T. Rowe Price Int'l Stock	PIC Small Cap Growth
04/01/04	\$10.43	\$9.18	\$18.81	\$28.45	\$103.66	\$45.52	\$24.31	\$48.54	\$12.05	\$16.26
04/02/04	\$10.34	\$9.09	\$18.86	\$28.73	\$104.55	\$46.14	\$24.51	\$48.89	\$12.05	\$16.57
04/05/04	\$10.30	\$9.06	\$18.93	\$28.94	\$105.35	\$46.45	\$24.65	\$49.08	\$12.10	\$16.73
04/06/04	\$10.32	\$9.08	\$18.95	\$28.92	\$105.16	\$45.91	\$24.50	\$48.91	\$12.08	\$16.43
04/07/04	\$10.33	\$9.08	\$18.88	\$28.74	\$104.47	\$45.52	\$24.56	\$49.01	\$12.13	\$16.47
04/08/04	\$10.31	\$9.06	\$18.85	\$28.73	\$104.36	\$45.57	\$24.45	\$48.81	\$12.11	\$16.49
04/12/04	\$10.30	\$9.05	\$18.92	\$28.91	\$104.90	\$45.87	\$24.57	\$48.81	\$12.11	\$16.62
04/13/04	\$10.26	\$9.01	\$18.71	\$28.51	\$103.46	\$45.31	\$24.22	\$48.14	\$11.95	\$16.21
04/14/04	\$10.22	\$8.98	\$18.65	\$28.50	\$103.35	\$45.27	\$24.06	\$47.93	\$11.88	\$16.11
04/15/04	\$10.22	\$8.98	\$18.67	\$28.53	\$103.41	\$45.17	\$24.02	\$47.85	\$11.78	\$15.93
04/16/04	\$10.24	\$9.00	\$18.77	\$28.69	\$103.93	\$45.22	\$24.17	\$48.40	\$11.90	\$15.80
04/19/04	\$10.23	\$8.99	\$18.75	\$28.73	\$104.05	\$45.43	\$24.28	\$48.28	\$11.87	\$15.97
04/20/04	\$10.18	\$8.98	\$18.57	\$28.30	\$102.42	\$44.60	\$24.00	\$47.85	\$11.77	\$15.73
04/21/04	\$10.20	\$8.96	\$18.62	\$28.51	\$102.98	\$44.84	\$24.15	\$48.20	\$11.74	\$15.92
04/22/04	\$10.22	\$8.98	\$18.82	\$28.88	\$104.44	\$45.93	\$24.44	\$48.91	\$11.85	\$16.20
04/23/04	\$10.18	\$8.95	\$18.76	\$28.85	\$104.50	\$46.15	\$24.34	\$48.78	\$11.85	\$16.21
04/26/04	\$10.18	\$8.96	\$18.74	\$28.75	\$104.03	\$45.78	\$24.21	\$48.58	\$11.89	\$16.09
04/27/04	\$10.20	\$8.97	\$18.78	\$28.81	\$104.27	\$45.83	\$24.25	\$48.59	\$11.88	\$16.04
04/28/04	\$10.17	\$8.94	\$18.57	\$28.40	\$102.85	\$45.21	\$23.83	\$48.07	\$11.63	\$15.64
04/29/04	\$10.13	\$8.91	\$18.47	\$28.23	\$102.10	\$44.85	\$23.49	\$47.51	\$11.56	\$15.37
04/30/04	\$10.15	\$8.92	\$18.43	\$28.05	\$101.49	\$44.38	\$23.53	\$47.30	\$11.47	\$15.06
05/03/04	\$10.14	\$8.92	\$18.54	\$28.28	\$102.43	\$44.74	\$23.58	\$47.69	\$11.57	\$15.21
05/04/04	\$10.13	\$8.91	\$18.57	\$28.35	\$102.62	\$44.71	\$23.68	\$47.62	\$11.71	\$15.33
05/05/04	\$10.10	\$8.90	\$18.58	\$28.39	\$102.82	\$44.80	\$23.74	\$47.62	\$11.84	\$15.41
05/06/04	\$10.08	\$8.88	\$18.45	\$28.19	\$102.13	\$44.46	\$23.56	\$47.32	\$11.59	\$15.22
05/07/04	\$9.99	\$8.80	\$18.19	\$27.83	\$100.73	\$44.06	\$23.11	\$46.54	\$11.29	\$14.94
05/10/04	\$9.99	\$8.80	\$17.99	\$27.49	\$99.67	\$43.82	\$22.66	\$46.17	\$10.94	\$14.59
05/11/04	\$10.00	\$8.81	\$18.09	\$27.72	\$100.46	\$44.26	\$22.93	\$46.57	\$11.03	\$14.94
05/12/04	\$10.00	\$8.80	\$18.14	\$27.77	\$100.66	\$44.18	\$22.94	\$46.54	\$11.18	\$14.83
05/13/04	\$9.97	\$8.78	\$18.11	\$27.76	\$100.59	\$44.12	\$22.92	\$46.36	\$11.00	\$14.85
05/14/04	\$10.01	\$8.81	\$18.12	\$27.74	\$100.53	\$43.75	\$22.88	\$46.19	\$10.97	\$14.66
05/17/04	\$10.05	\$8.83	\$17.99	\$27.45	\$99.47	\$43.20	\$22.58	\$45.54	\$10.83	\$14.40
05/18/04	\$10.03	\$8.83	\$18.08	\$27.63	\$100.16	\$43.55	\$22.77	\$46.06	\$10.98	\$14.57
05/19/04	\$10.00	\$8.81	\$18.07	\$27.58	\$99.92	\$43.43	\$22.85	\$46.09	\$11.17	\$14.69
05/20/04	\$10.04	\$8.84	\$18.08	\$27.59	\$99.97	\$43.41	\$22.84	\$46.20	\$11.10	\$14.64
05/21/04	\$10.02	\$8.82	\$18.13	\$27.67	\$100.37	\$43.49	\$23.04	\$46.52	\$11.22	\$14.83
05/24/04	\$10.03	\$8.84	\$18.19	\$27.71	\$100.54	\$43.63	\$23.24	\$46.76	\$11.27	\$14.99
05/25/04	\$10.03	\$8.84	\$18.37	\$28.11	\$102.16	\$44.53	\$23.59	\$47.43	\$11.39	\$15.38
05/26/04	\$10.06	\$8.86	\$18.40	\$28.11	\$102.35	\$44.66	\$23.65	\$47.48	\$11.39	\$15.48
05/27/04	\$10.10	\$8.89	\$18.49	\$28.31	\$102.94	\$45.07	\$23.74	\$47.70	\$11.58	\$15.46
05/28/04	\$10.07	\$8.87	\$18.46	\$28.28	\$102.88	\$45.06	\$23.75	\$47.95	\$11.54	\$15.53
06/01/04	\$10.04	\$8.85	\$18.46	\$28.32	\$102.93	\$45.05	\$23.85	\$48.21	\$11.48	\$15.64
06/02/04	\$10.03	\$8.84	\$18.50	\$28.44	\$103.31	\$45.12	\$23.87	\$48.37	\$11.50	\$15.62
06/03/04	\$10.04	\$8.85	\$18.41	\$28.21	\$102.55	\$44.76	\$23.57	\$48.00	\$11.38	\$15.31
06/04/04	\$10.01	\$8.83	\$18.47	\$28.36	\$103.09	\$45.02	\$23.68	\$48.24	\$11.52	\$15.46
06/07/04	\$10.02	\$8.84	\$18.67	\$28.80	\$104.75	\$45.82	\$24.10	\$49.05	\$11.82	\$15.71
06/08/04	\$10.02	\$8.84	\$18.67	\$28.85	\$104.91	\$45.92	\$24.09	\$49.09	\$11.79	\$15.69
06/09/04	\$10.00	\$8.82	\$18.55	\$28.62	\$103.92	\$45.16	\$23.81	\$48.76	\$11.60	\$15.36
06/10/04	\$10.00	\$8.82	\$18.62	\$28.74	\$104.40	\$45.28	\$23.84	\$48.74	\$11.68	\$15.32
06/14/04	\$9.95	\$8.78	\$18.45	\$28.49	\$103.39	\$44.85	\$23.51	\$48.27	\$11.41	\$15.05
06/15/04	\$10.04	\$8.85	\$18.57	\$28.64	\$104.01	\$45.18	\$23.78	\$48.69	\$11.56	\$15.32
06/16/04	\$10.02	\$8.84	\$18.60	\$28.70	\$104.16	\$45.17	\$23.86	\$48.72	\$11.58	\$15.36
06/17/04	\$10.04	\$8.85	\$18.62	\$28.67	\$104.02	\$44.84	\$23.87	\$48.65	\$11.65	\$15.31
06/18/04	\$10.04	\$8.85	\$18.57	\$28.68	\$104.29	\$44.93	\$23.88	\$48.75	\$11.68	\$15.33
06/21/04	\$10.04	\$8.85	\$18.52	\$28.57	\$103.86	\$44.60	\$23.81	\$48.68	\$11.70	\$15.22
06/22/04	\$10.04	\$8.85	\$18.56	\$28.66	\$104.24	\$44.88	\$23.93	\$49.02	\$11.63	\$15.33
06/23/04	\$10.04	\$8.86	\$18.66	\$28.86	\$105.13	\$45.26	\$24.14	\$49.45	\$11.65	\$15.56
06/24/04	\$10.07	\$8.88	\$18.66	\$28.78	\$104.83	\$45.18	\$24.21	\$49.27	\$11.75	\$15.50
06/25/04	\$10.07	\$8.88	\$18.61	\$28.61	\$103.88	\$44.94	\$24.38	\$49.64	\$11.70	\$15.68
06/28/04	\$10.02	\$8.84	\$18.59	\$28.56	\$103.81	\$44.86	\$24.26	\$49.85	\$11.81	\$15.60
06/29/04	\$10.04	\$8.86	\$18.63	\$28.68	\$104.08	\$44.93	\$24.38	\$50.07	\$11.71	\$15.67
06/30/04	\$10.09	\$8.89	\$18.71	\$28.81	\$104.51	\$45.06	\$24.56	\$50.46	\$11.68	\$15.76

<sup>1</sup> New Income earnings are calculated using daily income accruals. They credit earnings to the first working day of the following month. Therefore, 32 days were credited for April, 29 days were credited for May, and 30 days were credited for June.

<sup>2</sup> Puritan declared a distribution of \$.11 payable June 18, 2004, to shareholders of record on June 17, 2004, using a share value of \$18.37.

<sup>3</sup> Fidelity declared a distribution of \$.05 payable June 18, 2004, to shareholders of record on June 18, 2004, using a share value of \$28,680.

<sup>4</sup> Vanguard Institutional Index Fund declared a distribution of \$.37 payable June 25, 2004, to shareholders of record on June 24, 2004, using a share value of \$105.88.

<sup>5</sup> Columbia Acorn Fund declared a distribution of \$.0285 payable June 2, 2004, to shareholders of record on June 1, 2004, using a share value of \$25.87.