

*Invest in your future with the State of
Illinois Deferred Compensation Plan.*



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 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 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, 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 increasing the amount by 1% or 2% each year. Retirement investors should consider saving at least 15% of their salary each year.

2. Select how you want to contribute.

The DCP offers various ways you can contribute. You'll find information about your contribution choices, such as before-tax and Roth contributions, in this guide.

3. Choose your investments.

Choose the path that suits your style and comfort with investing. Choose the **age-based** investment path if you want a portfolio that automatically adjusts over time or the **build-your-own** portfolio path 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 3 in this guide.

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 Central Management Services (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.

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

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.*

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**.

Rollover contributions

Your Plan accepts rollover contributions of vested balances from other employers' eligible plans. For more information, contact T. Rowe Price at **1-888-457-5770**.

In-plan Roth rollovers

In addition to before-tax and Roth contributions, the DCP allows in-plan Roth rollovers. An in-plan Roth rollover lets you convert non-Roth amounts (e.g., elective salary deferrals or rollover contributions) to a Roth account inside your Plan instead of rolling them into a Roth IRA outside your Plan. The in-plan Roth rollover applies Roth tax advantages to more of your Plan savings. **This option is only available to participants.** For more information about tax advantages for an in-plan Roth rollover, consult your tax advisor.

To learn more, such as which amounts are eligible and how often rollovers can occur, contact T. Rowe Price at **1-888-457-5770** during business days between 6 a.m. and 9 p.m. central time.

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.

*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 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.

**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.

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 age-based investment path

Choose a Retirement Trust if you prefer an age-based portfolio that automatically adjusts over time.

The build-your-own portfolio path

Choose among the DCP’s other investment options to create your own diversified portfolio if you prefer to have more control over choosing and monitoring your investment strategy.

Option 1: Age-based investment

Pre-assembled Vanguard Target Retirement Trusts offer a single investing solution

Vanguard Target Retirement Trusts are now available for your age-based portfolio.

Features include:

- A diversified portfolio in a single investment based on the year you want to retire.
- The trusts’ risk/return objectives change over time, gradually reducing their exposure to risk as your target retirement date nears.

Selecting a Vanguard Target Retirement Trust

To find a target date investment that might work for you, simply ask yourself when you want to retire. If you’re not sure, you can decide by adding 65 to your birth year.

Vanguard Target Retirement Trusts
Vanguard Target Retirement 2060 Trust
Vanguard Target Retirement 2055 Trust
Vanguard Target Retirement 2050 Trust
Vanguard Target Retirement 2045 Trust
Vanguard Target Retirement 2040 Trust
Vanguard Target Retirement 2035 Trust
Vanguard Target Retirement 2030 Trust
Vanguard Target Retirement 2025 Trust
Vanguard Target Retirement 2020 Trust
Vanguard Target Retirement 2015 Trust
Vanguard Target Retirement Income Trust

You don’t have to choose the trust that matches your expected retirement year. Once you review that trust’s mix of stocks and bonds, you could choose a trust with a later target date if you’d prefer a more aggressive investment mix. On the other hand, if you’d prefer a more conservative mix, you could choose a trust with an earlier target date.

Option 2: Build-your-own portfolio

Build-your-own investments offer added control

If you prefer to create and monitor your own investment strategy, the DCP offers additional investment options to choose from to build a diversified portfolio.

Stock Investments	Style
Vanguard Institutional Index 500 Trust	Large-Cap Core
Northern Trust Collective Russell 2000 Index Fund	Small-Cap Core
Northern Trust MSCI ACWI ex-US Index Fund	Non-U.S. Large-Cap Core
Bond Investment	Style
Vanguard Total Bond Market Index, Institutional	Core Fixed Income
Stable Value/Money Market Investments	Style
Vanguard Treasury Money Market Fund	Money Market
INVESCO Stable Return Fund	Stable Value

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

Call 1-888-457-5770 to request a fact sheet, a prospectus, or, if available, a summary prospectus; each includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

Money Market Investments: You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund’s sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

Passively managed investments

The DCP provides a diverse selection of passively managed investment options, which are appropriate for long-term investing and have a long-term performance history.

More about passively managed investment options:

- Passively managed investment options buy some or all of the stocks or bonds that make up a widely used market index share (e.g., the S&P 500).
- A passively managed investment option seeks to mirror the performance of the index.
- Typically, passively managed investment options tend to have lower operating expenses than actively managed investment options.
- Because the index investment manager 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 a passively managed investment is low—resulting in lower costs.
- All investments are subject to risk, including possible loss of principal.

More information

Visit rps.troweprice.com to get investment information, such as investment objectives, fees and expenses, as well as access to other helpful financial planning tools. Or call **1-888-457-5770** to speak with a T. Rowe Price representative on business days between 6 a.m. and 9 p.m. CT.

What is a market index?

A market index is a 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” investment option 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 sizes. Among the more widely known stock indexes are the S&P 500, the Nasdaq Composite, the Dow Jones Industrial Average, the Wilshire 5000, and the Russell 2000.



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. Unforeseeable emergency 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 unforeseeable emergency 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.

Withdrawal fee:

- If you are receiving an installment payment (an automatic distribution that is made on the first business day of the month), there is no charge.
- You will be charged a \$20 fee from your account for each withdrawal processed after April 3, 2017.
- All withdrawals processed on April 3, 2017, or prior will not be charged a fee.
- The fee will be charged at the time of distribution on all withdrawals and will follow the same investment/source as the distribution.

Loans

The DCP allows you to use your Plan account money as a loan before you retire without being penalized today. When you borrow from your retirement account, you borrow from your future. Before you apply for a loan, consider the consequences of taking a loan and the effect it 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. 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.

Annual loan maintenance fee

- All accounts with active loans initiated after April 3, 2017, will be charged an annual loan maintenance fee of \$25.
- All accounts with loans initiated on April 3, 2017, or prior will not be charged an annual loan maintenance fee.
- The fee will be extracted annually on the first business day of October and will only be extracted from accounts with active and deemed distributed loans that have more than one payment remaining.
- The fee will be extracted using the same investment/source as the loan withdrawal.

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 in to 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. If the distribution from your Roth account is not qualified, the earnings on your Roth contributions will be 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 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.



T. Rowe Price Investment Services, Inc.

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