THE STATE OF ILLINOIS

DEFERRED COMPENSATION PLAN

Understanding investment and plan changes coming to the State of Illinois Deferred Compensation Plan

The Illinois State Board of Investment ("ISBI") is pleased to announce investment changes that will result in lower fees for the State of Illinois Deferred Compensation Plan ("the DCP").

Effective January 2, 2013, ISBI will make the following enhancements to the DCP:

1. Three common trust funds will be added to the investment option lineup.

- Northern Trust Collective S&P 400 Index Fund
- Northern Trust Collective Russell 2000 Index Fund
- Northern Trust Collective MSCI ACWI ex-US Index Fund

Adding these trusts is in keeping with ISBI's commitment to offering investment options with proven track records of consistent investment management, performance history, and appropriateness for long-term retirement investors. The new choices give you a wider variety of options in the index trust category and provide you with new investment opportunities.

As a reminder, mutual funds and common trust funds are pooled investment vehicles that pursue specific financial goals by investing in various types of securities, including stocks, bonds, and short-term investments.

Common trust funds, however, cannot be sold to the general investing public. While there are different types of common trust funds, the laws under which common trust funds are organized allow only certain types of employer-sponsored retirement plans to invest in them. This generally includes 457 plans, qualified defined benefit plans, and most governmental and church plans.

Fees for common trust funds are generally lower than those charged for mutual funds and can differ between retirement plans. There are several reasons for the lower fees, including the fact that they are not traded publicly and are only available to certain types of retirement plans. Unlike mutual funds, the daily valuations for common trust funds are not published in the newspaper. Participants can check daily valuation online at **rps.troweprice.com**. For additional information regarding the trusts (including performance), call T. Rowe Price at 1-888-457-5770.

2. Three existing investment options are changing investment structure from mutual funds to separate accounts.

Your balance in the mutual funds will automatically be transferred and reinvested in the separate accounts according to the chart below. Any new contributions directed to the mutual funds will be automatically redirected as well.

If you are invested in any of these investment options, please be sure to read this entire communication so that you are aware of what will happen when and how to make changes if you choose to do so.

While no action is required by you, if you wish, you may exchange all or any portion of your balance into any other investment option available to you through the plan.

A **separately managed account** is an individually managed investment account held at a separate custodial bank that has a varying fee structure and a dedicated money manager.

ISBI is making these changes from mutual funds to separate accounts to provide plan participants with lower investment fees. Over a period of time, with all other factors being the same, a lower fee can make a difference in the total return on your balance in these investment options . These changes will not alter the strategies, objectives, or risk profiles of the investments offered.

(over, please)

Note that this change involves only a move to a lower expense ratio—not a change to the investment strategy or investment management of the investment option.

Current investment option	Expense ratio*	New investment option	Expense ratio*
Ariel Fund (ARGFX)	1.04%	Ariel Fund (separate account)	.57% **
LSV Value Equity Fund (LSVEX)	.64%	LSV Value Equity Fund (separate account)	.30%
Northern Small Cap Value Fund (NOSGX)	1.01%	Northern Small Cap Value Fund (separate account)	.60%
Vanguard Total Bond Market Index Fund (VBTIX)	.07%	Vanguard Total Bond Market Index Fund (VBMPX)	.05%

What if your investments are being changed?

If you have a balance in, or new contributions directed to, the investments listed in the table above, you are not required to take any action—the changes will happen automatically.

There will be a short blackout period during which you will not have access to your balance in these investments while assets and contribution allocations are being transferred from the current investments to the new investments. Nor will you be permitted to take a distribution, loan, or other withdrawal during the short blackout period. **The blackout period will begin at 4 p.m. ET on Thursday, December 27, 2012. You will have full access to your account at the start of business on January 2, 2013, after the blackout has ended**. The blackout period will not affect your ability to make exchanges among the other investment balances within your account.

If you wish, you may redirect your future contributions or exchange your balance in any of the investments being changed into any other option available through the DCP's lineup prior to the start of the blackout period.

A good time to review your investment strategy

These changes present a great opportunity for you to review your portfolio and confirm that your account is properly allocated and diversified. Having an appropriate mix of stocks, bonds, and short-term investments in your portfolio can help balance your investment goals against investment risks.

Please take a careful look at your investment elections and balances to determine if you need to make any changes. For instant access to investment information and interactive financial planning tools, visit the website at **rps.troweprice.com**.

Making an investment change in your account

There are two types of investment changes you can make in your account:

- A mix change is when you change the way your future contributions will be invested.
- An exchange is when you move an existing balance to a different investment option.

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.

*Investments in a common trust fund are not deposits or obligations of, or guaranteed by, the U.S. government or its agencies or the sponsoring bank and are subject to investment risk, including possible loss of principal. In addition, common trust funds may have lower fees than mutual funds because they are not traded publicly and are available only to qualified retirement plans and certain governmental plans.

** Also note that Ariel has agreed to waive investment management fees for the Ariel Fund through May 27, 2013.