State of Illinois Deferred Compensation Plan

Exciting Changes Coming to the State of Illinois Deferred Compensation Plan

Read this guide carefully

This brochure is designed to give you a helpful overview of what is happening and when, in addition to providing information on the new DCP changes, so you'll know what you need to do and how to make changes if you want to.

How your DCP is changing to help you meet your retirement savings goals

The Illinois State Board of Investment (ISBI) has been acting as fiduciary of the State of Illinois Deferred Compensation Plan (DCP) to help over 52,000 participants like you invest for your retirement goals. Through our regular review of performance and plan structure, we strive to enhance DCP services and provide a broad array of investment options to help you diversify your DCP account according to your individual needs. The investment universe is continually changing and evolving. That's why, as part of our commitment to help you prepare for a more secure retirement, we are making some important changes to the DCP. One of our main goals is to provide investment excellence and to empower you with the very best retirement planning solutions.

A simplified investment approach

Based on the most recent review of the DCP, we are pleased to announce a new simplified investment lineup and redesign of the DCP resulting from feedback, research, and analysis by our Investment Staff and the recommendations of our independent investment consultant. Beginning April 3, 2017, the DCP will provide new investment choices to help you create a strategy to best suit your goals and comfort with investing. The new investment lineup will eliminate unnecessary complexity, as well as provide the following enhancements:

- Passively managed funds to provide you with diverse investment options and broad market exposure while offering lower investment expense ratios.
- A more transparent and direct fee structure in the DCP.

As a participant in the DCP, you're in control of how you want to invest in the DCP. You have the option to invest in an age-based portfolio, or you can build your own portfolio choosing among investment options in the DCP.

What to expect: Investment lineup changes

Recognizing that people have different needs, including tolerance for risk, and experience with investing, the DCP will offer two ways to invest your savings. Option One lets you make one simple choice, while Option Two may be appropriate for those who want to customize their own portfolio.

OPTION ONE:
Age-based portfolio

If you don't have the time or expertise to create and manage your own portfolio, 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. If you're not sure, you can decide by adding 65 to your birth year (see chart on page 4).
- Professionally managed portfolio throughout your working years and into retirement. Plus, the funds' risk/return objectives change over time, slowly reducing their exposure to risk as the target retirement date nears.

OPTION TWO:
Build-your-own portfolio

If you don't want to invest in a Vanguard Target Retirement Trust and have the time and investment knowledge, you may choose to build your own custom portfolio. After April 3, 2017, you can select your investments by logging in to your account at **rps.troweprice.com**. Features include:

- Choose among DCP's six other investment options.
- Manage your portfolio and asset allocation over time to suit your risk tolerance, time horizon, and financial goals.

Option One
Your new age-based investment lineup

Effective Monday, April 3, 2017, the Vanguard Target Retirement Trusts will replace the T. Rowe Price Retirement Trusts. This change will significantly reduce the current cost of investing in the age-based fund options while maintaining broad market exposure. Assets in the current funds will be transferred to the new funds with similar objectives and risk levels through a process called "mapping," as shown in the following chart.

Money in, and contributions directed/deferrals allocated to this T. Rowe Price Retirement Trust	Trustee fee[1]	Will be transferred to this Vanguard Target Retirement Trust	Trustee fee[1]
T. Rowe Price Retirement 2060 Trust	0.40%	Vanguard Target Retirement 2060 Trust	0.05%
T. Rowe Price Retirement 2055 Trust	0.40%	Vanguard Target Retirement 2055 Trust	0.05%
T. Rowe Price Retirement 2050 Trust	0.40%	Vanguard Target Retirement 2050 Trust	0.05%
T. Rowe Price Retirement 2045 Trust	0.40%	Vanguard Target Retirement 2045 Trust	0.05%
T. Rowe Price Retirement 2040 Trust	0.40%	Vanguard Target Retirement 2040 Trust	0.05%
T. Rowe Price Retirement 2035 Trust	0.40%	Vanguard Target Retirement 2035 Trust	0.05%
T. Rowe Price Retirement 2030 Trust	0.40%	Vanguard Target Retirement 2030 Trust	0.05%
T. Rowe Price Retirement 2025 Trust	0.40%	Vanguard Target Retirement 2025 Trust	0.05%
T. Rowe Price Retirement 2020 Trust	0.40%	Vanguard Target Retirement 2020 Trust	0.05%
T. Rowe Price Retirement 2015 Trust	0.40%	Vanguard Target Retirement 2015 Trust	0.05%
T. Rowe Price Retirement 2010 Trust	0.40%	Vanguard Target Retirement Income Trust	0.05%
T. Rowe Price Retirement 2005 Trust	0.40%	Vanguard Target Retirement Income Trust	0.05%
T. Rowe Price Retirement Balanced Trust	0.40%	Vanguard Target Retirement Income Trust	0.05%

What this means for your account

If you have a balance in, or new contributions directed to, the T. Rowe Price Retirement Trusts, **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 future contribution allocations are being transferred from the T. Rowe Price Retirement Trusts to the Vanguard Target Retirement Trusts. Nor will you be permitted to take a distribution, loan, or other withdrawal during the short blackout period. The blackout period will begin on March 30, 2017, at 3 p.m. CT. The blackout ends on April 3, 2017, at 8 a.m. CT, and you will have full access to your DCP account. For more details on the time frame of the upcoming investing enhancements, see page 8.

If you wish, you may redirect your future contributions or exchange your balance in the T. Rowe Price Retirement Trusts into any of the investment options that will remain in the lineup prior to the start of the blackout period.

How to choose a Vanguard Target Retirement Trust

Consider the Vanguard Target Retirement Trust with the target date closest to the year you plan to retire. 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.

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.

[1]Trustee fees are based on the most recent fiscal year-end data available.

Option Two

Choices for active investors

If you are currently managing your own DCP investment portfolio—or you would like to—the DCP offers a variety of options. The chart below shows how investment balances in, and new contributions directed to, the discontinued build-your-own options will move on March 31, 2017.

Money in, and contributions directed/ deferrals allocated to these investment options	Expense ratio/ trustee fee[1]	Will be transferred to these investment options	Expense ratio/ trustee fee[1]
LSV Value Equity Separate Account	0.25%	Vanguard Institutional Index 500 Trust	0.014%
Ariel Fund Separate Account	0.55%	Northern Trust Russell 2000 Index Fund	0.02%
Franklin Small-Cap Growth Fund	0.64%	Northern Trust Russell 2000 Index Fund	0.02%
William Blair International Small-Cap Growth Fund	1.31%	Northern Trust MCSI ACWI ex-US Index Fund	0.05%
INVESCO International Growth Equity Trust	0.68%	Northern Trust MCSI ACWI ex-US Index Fund	0.05%
Northern Trust S&P Mid-Cap 400 Index Fund	0.03%	Northern Trust Russell 2000 Index Fund	0.02%
Fidelity Puritan Fund	0.56%	Vanguard Target Retirement Trusts—Age-appropriate	0.05%
T. Rowe Price Bond Trust	0.40%	Vanguard Total Bond Market Index Institutional	0.05%
Vanguard Institutional Index, Plus	0.02%	Vanguard Institutional Index 500 Trust	0.014%

[1]Expense ratios/trustee fees are based on the most recent fiscal year-end data available.

Carefully review your Plan investments in conjunction with the fund information and mapping chart to ensure that you meet your overall asset allocation requirements.

Additional investment options in the DCP

Investment option	Expense ratio
Vanguard Treasury Money Market Fund*	0.09%
INVESCO Stable Return Fund	0.35%

**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.*

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.

Understanding passively managed funds

Starting April 3, 2017, you will have access to a diverse selection of *passively managed funds* to choose from. The new investment lineup is designed to help ensure you have access to investment options that are appropriate for long-term investing and that have a strong performance history. Here's a little more information about this type of investment:

Benefits of investing in passively managed funds:

- Index investment options, which are passively managed, buy some or all of the stocks or bonds that make up a widely used market index share (e.g., 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.
- Typically, passively managed funds tend to have lower operating expenses than actively managed investment options.
- Because 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.
- All investments are subject to risk, including possible loss of principal.

What's 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" 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 sizes.

Examples of common indexes:

S&P 500 Index—Synonymous with the "U.S. stock market," the S&P tracks the stocks of 500 leading U.S. companies.

Russell 2000 Index—Serves as a benchmark for small-cap stocks in the United States.

More information

Visit **rps.troweprice.com** to get investment information, such as investment fund 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.

A closer look at passive investing

Passive, or index investing, can offer significant benefits that include diversification, low costs, competitive performance, and simplicity.

Because index fund managers don't continually buy and sell stocks, index funds' expenses are typically lower than those charged by actively managed funds. Low costs can allow a fund to pass on more of its returns to shareholders, according to a Vanguard study.*

The less your funds cost, the more money is left to grow over the years. Here's a hypothetical example:

George and Sandy each invest $10,000 in index funds that are identical except in cost. George's fund charges 0.72% a year, for a total of $72. Sandy's fund charges 0.13% a year, for a total of $13.

Both funds earn 6% a year. In the first year, each fund earns $600—the return of 6% on the initial $10,000 investment. However, the $72 charged by George's fund reduces his investment earnings to $528. Sandy's earnings total $587.

There's more. Both George and Sandy arrange for their investment earnings to be reinvested in their funds every year. At the end of 30 years, assuming an average annual return of 6%, Sandy's lower costs will add more to her savings compared with George's.†

*Shopping for Alpha: You Get What You Don't Pay For. Daniel W. Wallick, Neeraj Bhatia, Andrew S. Clarke, and Raphael A. Stern. The Vanguard Group. 2011.

†This hypothetical example does not represent the return on any particular investment. Withdrawals from a tax-deferred plan or IRA before age 59½ are subject to a 10% federal penalty tax unless an exception applies.

What's happening when

As part of the investment lineup change, a short blackout period is required to facilitate the transfer of account balances from funds that are being discontinued to their replacement funds. The blackout period will not affect your ability to make exchanges among the other investment balances within your account.

Upcoming Investment Enhancements

3/30

March 30, 2017, 3 p.m. CT

Blackout period begins. This is the last day you can initiate a transaction on a fund that will be discontinued. Call 1-888-457-5770 or access your DCP account at rps.troweprice.com to make an investment change to any of the investment funds that will be discontinued.

3/31

March 31, 2017

Your account balance in the discontinued funds officially transfers. Existing account balances in the investment funds being discontinued will be automatically transferred to their replacement funds.

4/03

April 3, 2017, 8 a.m. CT

Full access to your account.
You will have full access to your DCP account. All investment options will be available for exchanges, loans, and withdrawals.

Plan fees—an approach to help you save more

Plan Administrative Fee

Since its inception in 1979, the DCP required participants to pay for Plan expenses. But between 2007 and 2013, a fee holiday was provided where participants did not pay Plan expenses due to a surplus of reserves from *Investment Administrative Credit Offsets*, provided by some of the participating investment companies. The costs of administrative services related to the investments, such as those associated with the processing of transactions involving the funds and maintaining account records, were reimbursed directly back to the DCP to offset costs. Starting in 2014, participants with account balances over $3,000, were charged $7.50 each quarter ($30 annually) to cover Plan administrative fees.

The new investment option lineup will have significantly lower expense ratios than investments in previous years and none of the options will offer the Investment Administrative Credit Offsets therefore, the fees paid will no longer offset the costs associated with the DCP. Beginning March 30, 2017, all participants will incur a Plan administrative fee to cover expenses:

- If you have an account balance over $6,700 at quarter-end, you will be charged $16.75 each quarter ($67 annually).
- If you have an account balance below $6,700 at quarter-end, you will be charged 0.25% of the account balance each quarter (capped at 1% annually).

This two-tiered fee structure was devised to ensure that all participants pay a participant fee, but that it is capped at 1% of any participant's account value.

This appears as a slight increase in fees; however, this is a more transparent and direct fee consistent with industry best practice. In addition, over time you will be able to save more because you will be paying lower investment expense ratios based on the new investment lineup.

You will see your first fee reflected on your first-quarter account statement. It will be deducted from your quarter-end account balance each quarter. It will be shown in the Account-at-a-Glance section as the line item titled "Fees."

Learn more about fees in the DCP

You'll find more information about plan fees in the third-quarter 2016 Insight newsletter. You can access it online at **https://www.illinois.gov/cms/employees/benefits/deferred/pages/deferredcompensation.aspx**.

Individual service fees

Although the DCP allows you to invest for your future, the DCP also allows you to withdraw or take a loan from your account balance. Please note the change in the following new fees:

Withdrawal fee

- You will be charged a $20.00 fee from your account for each withdrawal processed after April 3, 2017.*
- All withdrawals processed on March 31, 2017, or prior will not be charged a fee.
- The fee will be charged at the time of distribution, and will follow the same fund/source hierarchy as the distribution.
  - All partial and lump-sum distributions
  - Required minimum distributions for participants, beneficiaries and alternate payees
  - Rollover withdrawal (in service)
  - All partial and lump-sum Roth termination withdrawals
  - Unforeseeable emergency withdrawal (in service)
  - All partial and lump-sum beneficiary distributions
  - All partial and lump-sum alternate payee distributions
  - Under $5,000 active cash-out withdrawal

*Retirees taking regular installment payments will not be subject to this $20 withdrawal fee.

Annual loan maintenance fee

- All accounts with active loans initiated after April 3, 2017, will be charged an annual loan maintenance fee of $25.00.
- All accounts with loans initiated on March 31, 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 fund/source hierarchy as the loan withdrawal.

On-site and online employee meetings

Education sessions will be available beginning March 8, 2017, through March 23, 2017. Additional information regarding meetings will be posted on the T. Rowe Price website at **rps.troweprice.com**.

On-site meetings

Wednesday, March 8

Locations	Times
Bilandic Building (Chicago)	10 a.m., 2 p.m.
JRT Center (Chicago)	Noon
University of Illinois—Art Museum (Champaign)	1 p.m., 3 p.m.

Thursday, March 9

Locations	Times
IDOT Dist. #1 (Schaumburg)	10 a.m., noon, 2 p.m.
SIU Lesar Law Auditorium (Carbondale)	10:30 a.m., noon

Tuesday, March 14

Locations	Times
Bilandic Building (Chicago)	10 a.m., 2 p.m.
JRT Center (Chicago)	Noon
IDOT (Springfield)	2:30 p.m.
State Museum Auditorium (Springfield)	10 a.m., noon

Wednesday, March 15

Locations	Times
State Museum Auditorium (Springfield)	Noon
Department of Agriculture Fairgrounds (Springfield)	2:30 p.m.

Thursday, March 16

Locations	Times
Peoria	10 a.m., noon

If you can't make it to an on-site meeting, or if an on-site session isn't offered in your area, join us for a live webinar instead! We'll be offering interactive webinar sessions during which participants can ask questions on the following dates:

Webinar meetings

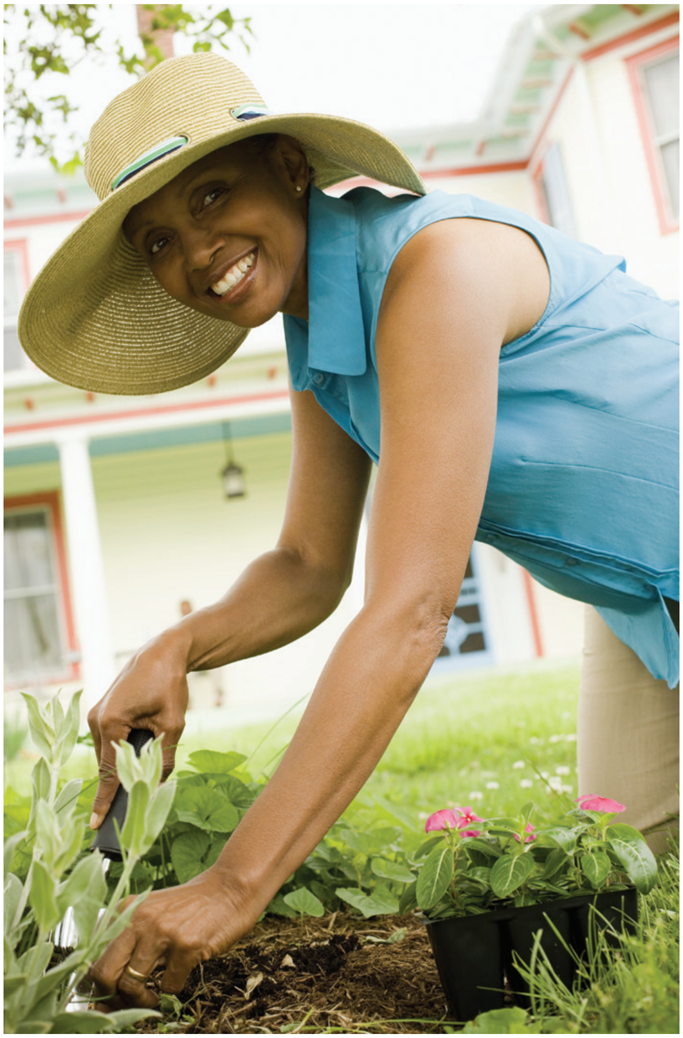
Dates	Times
Tuesday, March 21	11 a.m., 2 p.m., 7 p.m.
Wednesday, March 22	11 a.m., 2 p.m., 7 p.m.
Thursday, March 23	11 a.m., 2 p.m., 7 p.m.

To register for a meeting, go to **http://rpstrowepricereg34.fugent.com**.

If you can't make a live on-site session or a live webinar, you can access a recorded webinar, beginning late March 2017, by visiting the T. Rowe Price website at **rps.troweprice.com**.

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. If you have any questions, please call T. Rowe Price at 1-888-457-5770.



We’re here to help

T. Rowe Price representatives are available at **1-888-457-5770** between 6 a.m. and 9 p.m. CT. You can also access your account and discover helpful resources at **rps.troweprice.com**.

Connect with us

YOUR RETIREMENT PLAN WEBSITE

Go to **rps.troweprice.com**.

DEDICATED REPRESENTATIVES

Call **1-888-457-5770**.

MOBILE SOLUTIONS

Visit **troweprice.com/mobilesolutions**
to choose the option that's best for you.

If you have further questions about these changes, you can contact T. Rowe Price at **1-888-457-5770**. Telephone representatives are available on business days between 6 a.m. and 9 p.m. CT.

For more information about the DCP, your investment options, and tools that can help you as you save and plan for retirement, visit **rps.troweprice.com**.

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