State of Illinois Deferred Compensation Plan

Insight

First Quarter 2018 Bruce Rauner, Governor

Understanding How Your Retirement Plan Works.

Deciding to start saving for your retirement is a big step. But what happens after you enroll in a retirement plan? Here are a few guidelines to help you make informed savings decisions for your future.

Three Ways to Get Your Retirement on Course for Savings Success

Your retirement could last 25 or 30 years, so it's important to make sure you're saving enough.

1. **Invest more early on**
   The earlier you begin saving for retirement through the State of Illinois Deferred Compensation Plan (DCP), the better. If you begin saving in your 20s and 30s, time is on your side, and your savings will have more time to grow. In your 40s and 50s, you could consider contributing just a little more to help your savings catch up.
2. **Aim to save 15% annually**
   Everyday life gives us lots of reasons to contribute the minimal amount toward saving for retirement. Mortgage payments, credit card debt—the list goes on. But if you don't "pay yourself first," you could shortchange your future.

   We believe that most retirees need to replace 75% of their preretirement income to maintain their lifestyle through the retirement years. That includes Social Security and possibly a pension, but the rest will have to come from retirement savings and other assets.

   T. Rowe Price believes that retirement savers should save at least 15% of their income each year. Remember, if you've put off saving for retirement for a while, you may need to save even more.

   If setting aside 15% of your pay isn't practical right now, start with a smaller amount—like 4% or 5%—and increase the amount by 1% or 2% each year.

   Saving through the DCP is an added convenience because your contributions are automatically deducted from your payroll.
3. **Know how diversification works**
   One of the keys to investing successfully for retirement is diversification. **Diversification** is how you spread your investments within asset allocations. **Asset allocation** is the process of spreading your savings among different types of assets (e.g., stocks, bonds, and money market/stable value investments).

   Having a properly diversified portfolio may help you pursue both growth and income to provide protection against the long-term effects of inflation. This balanced investment approach can prepare your portfolio for different market environments and may offer greater return potential over the long term.

   To learn more about diversification for your retirement savings strategy, visit **rps.troweprice.com** or call **1-888-457-5770**.

You Have Two Ways to Invest in the DCP

Once you've decided how much you want to save in the DCP each pay period, your next decision is where to invest it.

If you prefer an investment that automatically adjusts over time, you may want to consider an age-based portfolio that includes a diverse mix of investments.

On the other hand, if you want more control, you may want to build your own asset allocation based on the DCP core lineup.

This chart may help you decide.

Your Options:

INVESTMENT APPROACH		WHAT THIS MEANS
Age-Based Approach You can select a portfolio that chooses assets based on the date when you might retire (for example, the year you turn 65). Many trusts are combined into one investment.		Consider an age-based approach if you feel less comfortable choosing your own investments. Age-based trusts are managed to get more conservative as their target dates get closer.
Build-Your-Own Approach You pick your asset allocation from your Plan's investment options and rebalance the mix as needed.		Consider this approach if you want to build your own diversified portfolio, and monitor it over time to suit your goals.

Selecting an Age-Based Investment in the DCP—the Vanguard Target Retirement Trusts

Consider a 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, ask yourself when you want to retire. If you're not sure, add 65 to your birth year.

Remember, 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.

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

Build-Your-Own Asset Allocation in the DCP

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-U.S. 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

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.

Want More Information?

If you would like to learn more about investing or specific investments in the DCP, visit **rps.troweprice.com** or call **1-888-457-5770**. T. Rowe Price representatives are available during business days between 7 a.m. and 10 p.m. central time.

DCP Financial Wellness Corner

The **DCP Financial Wellness Corner** is a new feature that provides tips about debt management and ways to save a little more toward retirement.

Build a $1,000 rainy day fund for those unexpected—and sometimes costly—surprises:

- Home repair
- Vet bills
- Health care

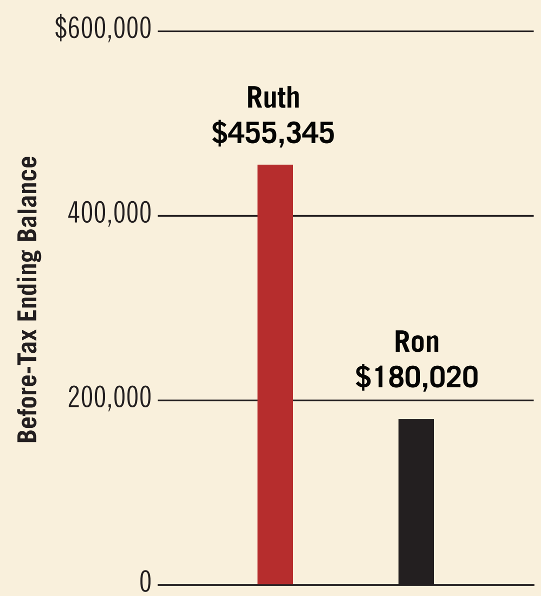
Investing for the Long Term

It's natural to feel nervous when the market falls. But making investment decisions based on your emotions can hurt your long-term growth potential. How? You may lock in losses and miss out on gains when the market recovers.

Here are three practical steps to help keep your retirement plan on track:

1. **Long term investing**
   The longer your money stays invested, the more time it has for potential compounding and tax-deferred growth. Consider the approach these two investors took:

The Rewards of Patience



Ruth took the long-term approach. She had many years until she planned to retire and use her savings, so she put her money into stocks—and left it alone for 30 years.

Ron used a market timing strategy. Since he kept moving his money into and out of the stock market, he ended up missing out on the 10 best-performing months for stocks during that 30-year period.

Source: T. Rowe Price calculated based on the applicable vendor benchmark data.

This example is based on an initial balance of $25,000 and uses the performance of the S&P 500 Stock Index from 12/31/1986 to 12/31/2016. In Ron's case, a corresponding Citigroup 1-Month Treasury Bill Index return was used for each of the 10 months the S&P 500 Stock Index was highest, and it was assumed that Ron's market timing strategy had him out of the market during those times.

This chart is for illustrative purposes only. This is not meant to represent the performance of the investment options in your Plan. Past performance cannot guarantee future results. It is not possible to invest directly in an index.

Unlike stocks, U.S. Treasury bills are guaranteed as to the timely payment of interest and principal. The S&P 500 Stock Index tracks the stocks of 500 U.S. companies. The Citigroup 1-Month Treasury Bill Index is a short-term U.S. government debt instrument.

All investments involve risk, including possible loss of principal.

2. **Prioritize your asset allocation**
   When you invest in many different companies—as you do when you invest in a mutual fund—this may help reduce volatility in your portfolio. Of course, diversification cannot assure a profit or protect against loss in a declining market.
3. **Increase your contributions automatically**
   Automate your contribution amounts and increase your contribution by 1% to 2% each year.

TELEPHONE NUMBERS

DEFERRED COMPENSATION
Plan Rules/Options Information
800-442-1300/217-782-7006

TDD/TTY: 800-526-0844

https://www2.illinois.gov/cms/benefits/Deferred/Pages/DeferredCompensation.aspx

RECORDKEEPER
T. Rowe Price Retirement Plan Services, Inc.
Account Value Information and Investment Changes:
888-457-5770 or TDD/TTY: 800-521-0325
Internet Access: 800-541-3022 • Internet: **rps.troweprice.com**

^*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.*

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