

Insight

Second Quarter 2017



Bruce Rauner, Governor



Are You on Track for a Successful Retirement?

Find out now if you're saving enough for retirement so that you're prepared when the time comes.

Setting aside money for retirement on a regular basis is a key step toward achieving your retirement goals. But how do you know if you're saving enough to sustain the post-career lifestyle you're hoping for? You can start by consulting T. Rowe Price's recommended savings targets for investors of different ages. See "How Much Should You Save?" on the following page and the goals below:

- **Consider saving at least 15% of your gross income.** Keep in mind, the older you are, the higher your rate may need to be in order to reach your savings milestones. Use the T. Rowe Price online Retirement Income tool to get a view of how you can close a gap.
- **Think about contributing the maximum amount to your tax-advantaged accounts.** For 2017, you can contribute a total of \$18,000 to the State of Illinois Deferred Compensation Plan (DCP). (If you're age 50 or older, take advantage of additional catch-up contributions of \$6,000 to your DCP.)

If you're not able to save 15% of your salary right away, try boosting your contributions gradually: Target a two-percentage-point increase

each year until you reach the 15% mark. See the chart on the next page, "The Power of 15%," for an example.

Use the T. Rowe Price Paycheck Impact Calculator to determine exactly how much an increase will affect your pay. Log in to rps.troweprice.com, click the Planning tab, and select Calculators.

IRS limits for 2017

Below is a summary of the 2017 salary deferral contributions you can make to your DCP:

- The IRS annual combined limit on before- and Roth contributions is \$18,000, meaning you can contribute a total maximum of \$18,000 per year.
- If you will be age 50 or older in 2017, the age 50 catch-up provision allows you to contribute up to \$24,000 through before- and after-tax contributions. (This includes the \$18,000 maximum before- and after-tax contribution plus an additional catch-up contribution of up to \$6,000.)
- The 457 special catch-up provision is \$36,000. (This provision can only be elected during the three consecutive years prior to—but not including—the year you attain normal retirement age of 70½ as defined by the 457 Plan.)

If you're off track: Don't panic

If you find yourself falling short, focus on actions you can take now to align with your long-term goals:

- **Consider Roth contributions.** Having a source of tax-free income in retirement, such as through Roth contributions, may be a good choice for your retirement savings, unless you expect your tax bracket to decrease significantly in retirement.
- **Look for other opportunities to build retirement savings outside of the DCP.** For instance, you might consider opening an IRA or funding an existing one with a tax refund, bonus, raise, or unexpected financial windfall.

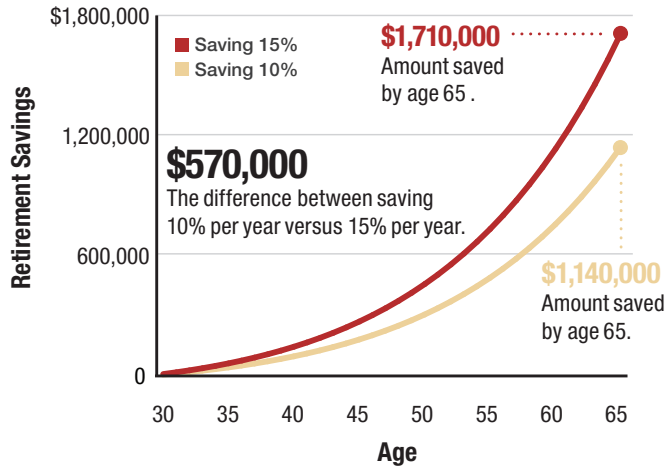
If you're on track: Keep up the good work

Maintain your momentum by continuing to make retirement savings a financial priority and by considering the steps outlined earlier, along with the following ideas:

- **Consider opening a taxable account** to save additional assets if you're already saving the maximum allowed in your tax-advantaged accounts.
- **Consider the amount of stock in your portfolio.** Stocks offer greater long-term return potential than other asset classes, such as bonds or money market/stable value investments; however, stocks also have a greater risk of loss. Typically, an investor's age and risk tolerance determine how much stock may be appropriate.
- **Consider rebalancing your account regularly.** To maintain your selected asset allocation, think about enrolling in the auto-rebalance service available in the DCP. The service is free and you can cancel at any time.

The Power of 15%

Increasing your contribution each year can make a significant difference in your savings over the long term. The chart below shows the potential difference when contributing 10% versus 15%.



All figures assume 7% annualized returns, a \$50,000 starting salary at age 30, and a 3% annual salary increase. Numbers are rounded. This chart is for illustrative purposes only and does not represent performance of any particular security. Investment returns will vary and may be higher or lower than in this example. Investments involve risk, including possible loss of principal.

Targeting success

Your situation is unique, as is your vision for retirement. The T. Rowe Price retirement savings targets can help you set realistic goals. Taking a few minutes now to measure your progress could help you achieve your long-term goals.

How Much Should You Save?

Compare your current overall savings with these suggested retirement savings targets.

Check how much you've already saved against the target by age. Then log in to rps.troweprice.com to check your **Confidence Number®** score, which gives you an indication of how likely your savings are to provide adequate income throughout a 30-year retirement.

INVESTOR'S AGE	SAVINGS BENCHMARKS
30	half your salary saved today
35	1x your salary saved today
40	2x your salary saved today
45	4x your salary saved today
50	6x your salary saved today
55	8x your salary saved today
60	10x your salary saved today
65	12x your salary saved today

Assumptions: Individuals have saved (from age 25 to a retirement age of 65) 15% of their annual salary (increased by 3% each year) in a tax-deferred retirement account with a preretirement portfolio consisting of 60% stocks/30% bonds/10% short-term bonds, changing to 40% stocks/40% bonds/20% short-term bonds during retirement. Gross retirement income through age 95 is estimated to equal 75% of preretirement salary, consists of annual retirement account withdrawals of 4% plus estimated Social Security benefits (both beginning at age 65), and is increased by 3% annually for inflation. The savings benchmark analysis is based on results from the T. Rowe Price Retirement Income Calculator, which considers 1,000 market simulations and an 80% simulation success rate, using hypothetical salaries at age 65 of \$70,000, \$100,000, and \$110,000. That tool's methodology and assumptions are explained in detail at troweprice.com/ric. Users should consider their own circumstances. Results may not apply to earnings that vary substantially from modeled salaries.

IMPORTANT: The projections or other information generated regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The simulations are based on assumptions. There can be no assurance that the projected or simulated results will be achieved or sustained. Actual results will vary with each use and over time, and such results may be better or worse than the simulated scenarios. Clients should be aware that the potential for loss (or gain) may be greater than demonstrated in the simulations.



Recent Change to the Investment Lineup

The Illinois State Board of Investment (ISBI) has made a change to the investment lineup that will result in lower fees for an investment option in the DCP. Effective July 14, 2017, the Institutional Plus share class of the Vanguard Total Bond Market Index Fund will replace the Institutional share class of the same fund.

INVESTMENT OPTION	CURRENT EXPENSE RATIO*	NEW EXPENSE RATIO*
Vanguard Total Bond Market Index Fund	0.04% for Institutional Shares (VBIX)	0.03% for Institutional Plus Shares (VBMPX)

*Expense ratios are based on the most recent fiscal year-end data available. Note that these changes involve only a move to a lower expense ratio — not a change to the investment objective of, or underlying investments in, the fund.

LEARN MORE HERE

- Log in to your account at rps.troweprice.com. Select Investments to view or download fact sheets for each investment in the DCP.
- Call **1-888-457-5770**. Representatives are available between 6 a.m. and 9 p.m. central time. Ask questions or request information related to your DCP investments.

CONNECT ON ANY DEVICE

Manage your investments using your preferred device. Visit troweprice.com/mobilesolutions to choose the option that's best for you.

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.



Individual Service Fee Reminder

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. As a reminder, please note the information below:

Annual loan maintenance fee

- All accounts with active loans initiated after April 3, 2017, will be charged an annual loan maintenance fee of \$25.
- 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.

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.
- The fee will be charged at the time of distribution to all withdrawals and will follow the same investment/source as the distribution.

TELEPHONE NUMBERS

DEFERRED COMPENSATION

Plan Rules/Options Information:

1-800-442-1300/1-217-782-7006

TDD/TTY: 1-800-526-0844

Internet: state.il.us/cms/employee/defcom

RECORDKEEPER

T. Rowe Price Retirement Plan Services, Inc.

Account Value Information and Investment Changes:

1-888-457-5770 or TDD/TTY: 1-800-521-0325

Internet Access: 1-800-541-3022

Internet: rps.troweprice.com

T. Rowe Price Investment Services, Inc.

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