

Insight

Third Quarter 2019



J.B. Pritzker, Governor



When markets go wild, let logic lead the way.

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 steps you can take to remain calm and keep your retirement Plan on track:

1. Focus on the long term

If you're worried about your portfolio's long-term prospects, consider this: The S&P 500 Index has never lost ground in any 15-calendar-year period since 1926, although past performance cannot guarantee future results. Another advantage of keeping a long-term focus is dollar cost averaging. When you save through the State of Illinois Deferred Compensation Plan, you invest a portion of your income each month. This means your money buys more shares when prices fall (and fewer shares when prices rise). Over time, you "average out" the cost of your shares. Note: Dollar cost averaging cannot assure a profit or protect against loss in a declining market. Finally, remember that time and money work together: The longer your money stays invested, the more time it has for potential compounding and tax-deferred growth.

2. Prioritize portfolio diversification

Investing in a portfolio of funds that invest in stocks and bonds helps reduce large swings in portfolio values and can help stabilize investment returns. If you do not want to build your own portfolio of funds, you might consider Target Date Funds as an alternative. They are pre-determined asset allocation strategies consisting of stocks, bonds, and other investments. The asset allocation automatically changes by becoming more conservative over time while maintaining balanced exposures. Target Date Funds help reduce the number of decisions you need to make and can mitigate the adverse impacts of market volatility.

Consider the investment objectives, risks, and charges and expenses carefully before investing. For a prospectus or, if available, a summary prospectus containing this and other information, call (800) 442-1300. Read it carefully.

All investments involve risk, including possible loss of principle.

3. Consider reducing decisions

If you choose to build your own portfolio of funds, over time, your portfolio allocations may shift from your original targets. Rebalancing is a useful tool that helps maintain your risk-return profile as market conditions change. Your retirement plan offers a free service that makes rebalancing easy. The T. Rowe Price Automatic Rebalancing service adjusts your portfolio to maintain the asset allocation you've chosen and helps keep your investing strategy on track.

What you can do now

Log in to your account at rps.troweprice.com to review your investment choices.

Turning 50 or already 50? Give your savings a chance to catch up.

If you will turn 50 or older this year and are already contributing the maximum amount allowed by the deferred compensation plan (DCP), you may contribute an additional amount of catch-up contributions up to the IRS limit.

If you are saving the maximum amount in regular contributions and you're ready to save more, then you should consider making catch-up contributions. During tax year 2019, participants who are 50 or older may be able to contribute \$6,000 more than the 2019 IRS limit of \$19,000 to their Plan accounts. That means you can automatically contribute as much as \$25,000.





Employee special 457 catch-up contributions*

Furthermore, you may be able to contribute double the IRS limit, up to \$38,000, if you qualify for the special catch-up provision. This provision allows you to catch up unused or underutilized deferral contributions during the last three years before you reach your “normal retirement age.” Underutilized contributions are the amounts you were previously able to contribute, but didn’t. You **must** apply to the DCP Office at CMS for approval. For more information, contact CMS at **1-800-442-1300**.

Required Minimum Distributions (RMDs)

The Internal Revenue Code requires RMDs to begin on or before April 1 of the year following the year in which the participant turns 70½ and terminates employment from the State of Illinois.

If you are no longer working, please contact T. Rowe Price at **1-888-457-5770** to ensure your RMD is satisfied.

2020 INSTALLMENT REMINDER

January installments will be delayed and are expected to be processed no later than the third week in January.

Note: Any distributions outside the installment process do not reduce/eliminate the installment process. All scheduled RMD Installments will continue to be processed regardless of any off-cycle distributions.

Reminder:

Participants may request an annual installment specifically set up to satisfy their RMD. To set up your installment, please contact T. Rowe Price at **1-888-457-5770**. Installments may also be set up in the amount or time frame of your choice.

Note: Any distributions outside the installment process do not reduce/eliminate the installment process. All scheduled installments will continue to be processed regardless of any off-cycle distributions.

Questions?

If you have any questions about taking an RMD, please call **1-888-457-5770** to speak with a T. Rowe Price representative on business days between 6 a.m. and 9 p.m. central time.

Help is here when you need it.

Contact T. Rowe Price

Visit rps.troweprice.com to manage your account, change investment elections, review investment information, use planning tools, and more. 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. central time.

Contact CMS

To enroll in the DCP or to change your contribution amount, contact CMS at **1-800-442-1300**. You can download CMS forms at www2.illinois.gov/cms/benefits/Deferred/Pages/DeferredCompensation.aspx.

TELEPHONE NUMBERS

DEFERRED COMPENSATION

Plan Rules/Options Information:

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

TDD/TTY: 1-800-526-0844

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

RECORDKEEPER

T. Rowe Price Retirement Plan Services, Inc.

Account Value Information and Investment Changes:

1-888-457-5770

TDD/TTY: 1-800-521-0325

Internet Access: 1-800-541-3022

Internet: rps.troweprice.com

T. Rowe Price Retirement Plan Services, Inc.

*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.

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