State of Illinois Deferred Compensation Plan

Insight

Second Quarter 2018

Bruce Rauner, Governor

A financially secure retirement is no accident.

The decisions you make today can make a big difference to your future lifestyle.

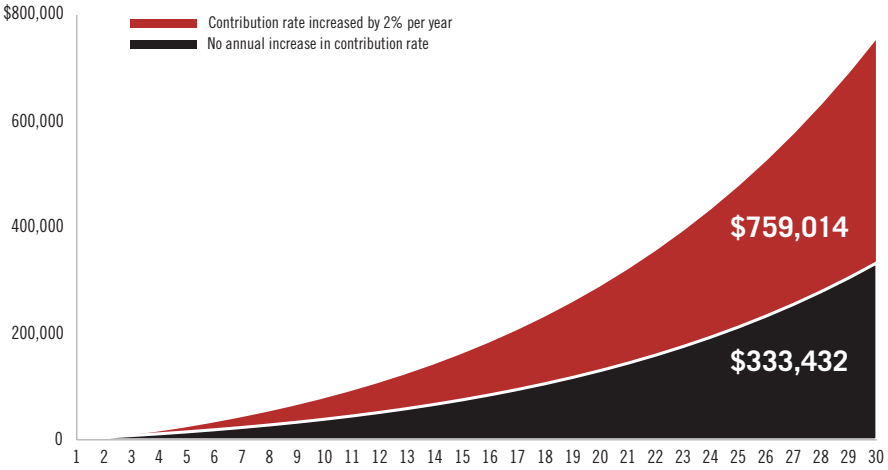
These days, it's not uncommon for people to spend decades in retirement. That's a good thing—and a great reason to take full advantage of your State of Illinois Deferred Compensation Plan (DCP). It's designed to help you prepare to live retirement on your terms.

So, how much do you need to save?

When it comes to planning for the future, many people wonder whether they're saving enough. While there's no single amount that fits everyone, T. Rowe Price estimates that most people will need about 75% of their preretirement income each year of retirement to maintain their current lifestyle.

To help reach that goal, we suggest that investors save at least 15% of their pay annually and plan for a retirement that could last 30 years or more. But if 15% feels like too much right now, don't be discouraged. Many people begin by saving a lower amount and then work their way up.

That's a good strategy, too, because even small increases on a regular basis—such as 2% or 3%—can add up over the long term. For instance, here's what a 2% annual increase may look like over 30 years versus no annual increase:



This is a hypothetical example for illustrative purposes only, and it is not meant to represent the investment return of any of your Plan's options. Assumes a starting salary of $40,000, which increases an average of 3% annually. The assumed initial contribution rate is 6% with a 7% annual return. The example goes further to assume a 2% annual increase with a 15% cap. Your situation will vary. All investments involve risk, including possible loss of principal.

Note: Eligible Pension benefits may only cover a portion of your retirement needs. Refer to your Estimated Retirement Benefit statement to view your eligible pension assets and consider taking advantage of the DCP to save even more.

If your situation allows, consider contributing even more than 15% to your account. The DCP allows you to contribute up to 100% of your pay, subject to IRS limits. The sooner you begin saving more, the longer your money has to compound.

Now's a good time to see where you stand

To get a clearer picture of whether you're on track to meet recommended savings targets based on your age, check the chart below. Simply compare your current overall savings (Pension benefits, IRA, and/or previous employer Plans, etc.) with the appropriate savings benchmark.

INVESTOR'S AGE	SAVINGS BENCHMARKS
30	Half of Salary Saved Today
35	1x Salary Saved Today
40	2x Salary Saved Today
45	4x Salary Saved Today
50	6x Salary Saved Today
55	8x Salary Saved Today
60	10x Salary Saved Today
65	12x 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.

If you find a substantial difference, don't panic. Even if you started saving later in life—or haven't been saving enough—aim for a minimum contribution of 15% to help you get closer to the target.

With age comes benefits

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

In addition, if you haven't been able to defer up to the IRS contribution limit during any year that you are eligible, you may take advantage of making special 457 catch-up contributions. This provision allows you to contribute some or all of the unused or underutilized deferral amounts. You may defer the special 457 catch-up contributions during the last three years before you reach your "normal retirement age" as defined in the Plan document.

During these three years, you are able to defer your regular limit plus an amount that you were eligible to contribute in previous years but did not. Additionally, during those three years, you can defer before-tax and Roth contributions up to twice the IRS deferral limit amount in effect for that year.

For more information and to see whether you qualify, contact CMS at **1-800-442-1300**.

Find out how an increase would affect your pay

With the T. Rowe Price Paycheck Impact Calculator, you can model different increase amounts to see how each would affect your take-home pay before you decide to make a change. Here's how:

1. Log in to **rps.troweprice.com**
2. Click on the Planning tab and scroll to Tools and Calculators
3. Select the Paycheck Impact Calculator

Individual Service Fee Reminder

Although your Plan is designed to help you build a retirement nest egg, there may be times when you need to access some of the money you've saved. That's why the DCP allows you to withdraw money or take a loan from your account balance. Please keep the following fees in mind:

Annual loan maintenance fee

- All accounts with active loans issued after March 31, 2017 will be charged an annual loan maintenance fee of $25.
- The fee will be extracted annually in 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 that was used for the loan withdrawal.

Withdrawal fee

- You will be charged a $20 fee from your account for each withdrawal processed.
- If you are receiving an installment payment (an automatic distribution that is made on the first business day of the month) or have purchased service credits, there is no charge.
- The fee will be charged at the time of distribution to all withdrawals and will follow the same investment/source as the distribution.

Did you know your Plan accepts rollover contributions?

You may choose to roll over vested balances from other employers' eligible plans to the DCP. For more information about this option, including details about the process, contact CMS at **1-800-442-1300**.

Need assistance with your account or looking for more Plan information?

Contact T. Rowe Price
Visit **rps.troweprice.com** to manage your account, find 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 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
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**

T. Rowe Price Investment Services, Inc.

This material is provided for general and educational purposes only and is not intended to provide legal, tax, or investment advice. This material does not provide fiduciary recommendations concerning investments or investment management; it is not individualized to the needs of any specific benefit plan or retirement investor, nor is it directed to any recipient in connection with a specific investment or investment management decision.

T. Rowe Price Retirement Plan Services, Inc., its affiliates, and its associates do not provide legal or tax advice. Any tax-related discussion contained in this material, including any attachments/links, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or professional tax advisor regarding any legal or tax issues raised in this material.

rps.troweprice.com | 1-888-457-5770 |

CQQJTYWK1_250901
201806-524253

2Q18-NEWS-250901