State of Illinois Deferred Compensation Plan

Insight

Fourth Quarter 2017

Bruce Rauner, Governor

Get your Plan account in shape for the new year.

As a participant in the State of Illinois Deferred Compensation Plan (DCP), you understand the importance of preparing for a financially secure future. And with a new year starting, it's a good time to review your DCP account to make sure you're on the right track. The following topics can help you decide if you need to make any adjustments to your retirement account.

Why it pays to save in the DCP

However much you save, don't quit.

If you're not currently saving in the DCP, consider the advantages of this important benefit. The DCP allows you to put money away during your working years in order to have the income you'll need for your retirement. Here's a reminder about the perks of saving in the DCP:

- Before-tax savings
- Rollover contributions from other employers' eligible plans
- Catch-up contributions for employees age 50 and over
- Pre-assembled age-based portfolio
- Flexible build-your-own portfolio
- 24-hour account access

To reset your retirement savings strategy, visit **rps.troweprice.com** or call **1-888-457-5770**.

Consider boosting your contributions

Making regular contributions to your retirement Plan is smart. But when you increase your contribution by even a small amount, this could result in extra savings when it's time to retire.

If you add an extra 1% or 2% to your contribution amount, you'll hardly notice it in your paycheck.

We believe that most people will need 75% of their preretirement income each year of retirement. To get there, you should consider increasing your contribution amount each year.

If you have questions about increasing your contribution amount, call **1-888-457-5770** or visit **rps.troweprice.com**.

Who's your beneficiary?

When you name a beneficiary for your Plan account—and keep it updated as life changes—you help ensure that your savings will go to the right person(s) in the event of your death. Contact Central Management Services (CMS) at **1-800-442-1300** for information on how to name your beneficiary. Or download and complete a beneficiary form at **state.il.us/cms/employee/defcom**.

Your age can help determine your asset allocation

Selecting investments for your retirement Plan account might appear complicated. It doesn't have to be. Start with two simple numbers: your age and year you plan to retire.

The length of time you have before retirement—your investment "time horizon"—should influence your asset allocation strategy, or the mix of stocks, bonds, and money market/stable value investments. Here are investing guidelines to help you see where you are in life:

Your 20s and 30s: Now's the time to start saving and investing through your workplace retirement Plan. And the sooner you enroll and start saving the better. Here's why: When you invest through the Plan, any earnings are put right back into your account. The longer your money stays invested, the more it can potentially earn through compounding.

Because retirement is several decades away, consider higher risk/higher return investments, like stocks. Your investments should have time to ride out any ups and downs in the market.

Your 40s: Even if you're just getting started, you still have 20–25 years to build up your savings. So make the most of these years.

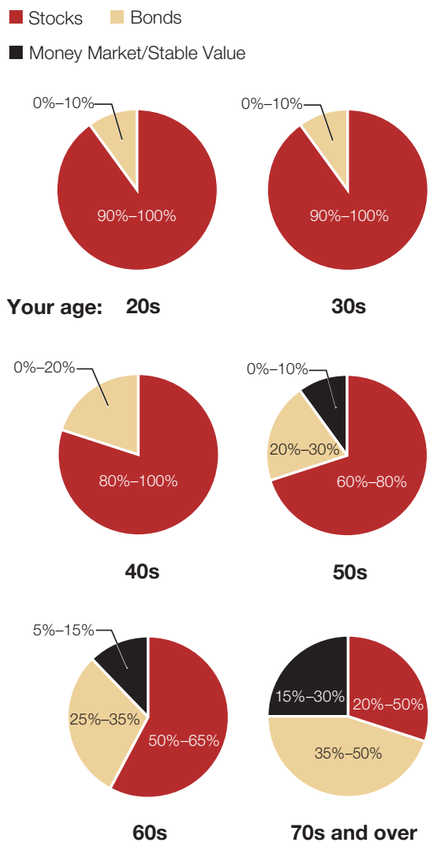
To give your savings the opportunity to beat inflation, consider stocks, which provide better long-term growth potential when compared with bonds and money market/stable value investments.

Your 50s and over: As you approach retirement, you may want to dial down risk in favor of investments with predictable returns. This means less stock—which is vulnerable to ups and downs in the market—and more investments with less volatility, like bonds and money market/stable value investments.

To make sure your asset allocation suits your age and goals, log in to your account at **rps.troweprice.com** to review your options. Your Plan currently offers the Vanguard Target Retirement Funds, which follow a similar strategy in a single, pre-assembled portfolio based on a target retirement date.

Remember: Once you've made your selections, check in periodically—at least once a year—to make sure your investment mix still matches up with your time horizon and goals.

Asset Allocation by Age



These allocations are age-based only and do not take risk tolerance into account.

Manage your portfolio's overall risk with rebalancing

Over time, the ups and downs of the market may affect the balance of your portfolio—throwing off just how much of your account is invested in stocks, bonds, and stable value investments. Rebalancing your portfolio adjusts your portfolio to your desired asset allocation.

Over the long term, rebalancing your portfolio may not deliver higher returns, but it can reduce the volatility in your portfolio and help you better weather setbacks.

Keep in mind that regular rebalancing may have some tax consequences. However, rebalancing a portfolio in a tax-deferred account, such as your DCP, has no immediate tax implications.

IRS limits for 2018

Each year the IRS updates the maximum amount you can contribute to your workplace retirement Plan accounts. Here's a summary of the 2018 salary deferral contributions you can make to the DCP:

- Annual salary deferral dollar limit for before-tax and/or Roth contributions is $18,500.
- For participants who will be age 50 and older, the catch-up provision allows you to defer up to $24,500 in before-tax contributions. This includes the $18,500 maximum before-tax contribution plus an additional $6,000.
- The 457 special catch-up provision is $36,000. (This provision can only be elected during the three years (consecutive) prior to, but not including, the year the participant attains normal retirement age, as defined by the 457 Plan.)

1099-Rs for 2017 distributions will be mailed by January 31, 2018.

Important facts about required minimum distributions

If you haven't tapped into your retirement accounts but are turning age 70½ and have left state service, you must receive your 2018 required minimum distribution (RMD) by April 1, 2019—whether you need the money or not.

To calculate your RMD, divide your account balance as of December 31, 2017, by 27.4 if you turn age 70 or 26.5 if you turn age 71 in 2018. This is the minimum amount that you must withdraw your account. Each year thereafter (including 2019), you must receive your RMD for that year by December 31.

Not sure what to do with an RMD?

If you don't have immediate plans to spend your distribution, you could:

- Reinvest your RMD in a taxable, non-retirement account like a savings account or a mutual fund
- You can transfer your RMD to a charity using a qualified charitable distribution (QCD)
- You can contribute your RMD to a 529 College Savings Plan

A little planning can go a long way

Retirement planning doesn't have to be complicated, but a little preparation can help clear up any concerns you may have. Below are just some of the tools on our participant website to help you plan:

- **Retirement Income**—View and model your estimated income in retirement.
- **Savings Check-In**—See how a small contribution increase can impact your retirement savings.
- **Years to Retirement**—Check your progress toward saving for retirement and see how you can improve it.
- **Social Security Basics**—Learn about making Social Security benefits go farther.

Visit **rps.troweprice.com** to access interactive, user-friendly tools to help you fine tune your retirement savings goals.

TELEPHONE NUMBERS

DEFERRED COMPENSATION

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

TDD/TTY: 800-526-0844

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

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.

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