Investing In Your Future

Retirement And Investment Opportunities

The financial security of every employee is important to the University of Illinois. Your financial goals may include the purchase of a new home, a comfortable income upon retirement, or financing your children's education. In order to help you ensure a sound financial future, the University provides a range of retirement and savings options. As a University of Illinois employee, you may be required to participate in the State Universities Retirement System (SURS) program. Additionally, you may be eligible to participate in optional State of Illinois and University retirement and investment programs. The various programs are designed and made available to you to help meet your retirement and investment needs. This brochure is designed to provide detailed information regarding available plans and to assist you with selecting the set of plans that best meets your individual needs.

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STATE UNIVERSITIES RETIREMENT SYSTEM (SURS)

The State Universities Retirement System of Illinois (SURS) provides retirement, disability, death, and survivors' benefits to eligible SURS participants and annuitants. Participation in SURS is *required* if your position requires you to work continuously for at least one academic term or four months, whichever is less, and your employment is not temporary, intermittent, or irregular. You are *not eligible* to be covered by SURS if: you are a student regularly attending classes at a college or university that participates in SURS and you are employed on a part-time, temporary basis; you were employed under the Comprehensive Employment Training Act on or after July 1, 1979; you hold a J-1 or F-1 visa and have not established residency status; or you are currently receiving a retirement annuity.

Your contribution to the retirement plan — 8% of gross earnings — is automatically deducted from your paycheck. The contributions you make to this plan, and the investment earnings from these contributions, are not subject to federal or state income taxes until you begin to withdraw funds following your retirement.

SURS offers the following retirement plan choices:

- Traditional Benefit Package (Defined Benefit Plan)
- Portable Benefit Package (Defined Benefit Plan)
- Self-Managed Plan (Defined Contribution Plan)

As a new employee, you have six months from your initial date of employment to make a **lifetime, irrevocable** decision to select one of the three plans. If you do not make this decision within six months of your date of hire, you will automatically be enrolled in the Traditional Benefit Package. *This "default" enrollment is also **irrevocable***.

Your choice of plans will determine the SURS benefits available to you for life and cannot be changed or revoked. For example, if you leave employment and are employed in the future by a participating SURS employer, you will be required to participate in your original plan selection.

Defined Benefit Plans

Both Defined Benefit Plans provide you with a guaranteed payout when you retire, based on a formula set by the Plan. You have no investment risk or responsibility. Many of the characteristics of the two Defined Benefit Plans are similar. There are, however, two particularly important differences.

Portability The Portable Benefit Package, unlike the Traditional Benefit Package, allows for a larger refund if you leave SURS before retirement.

Survivor Benefits With the Portable Benefit Package, you pay a cost if you want to provide a survivor benefit to your survivor at your death. With the Traditional Benefit Package, there is no additional cost. Your survivor automatically receives a survivor benefit.

The **Traditional Benefit Package** is devised to provide lifetime retirement benefits, and it provides for a survivor benefit at no additional cost. If you prefer a lump sum refund at retirement, the refund feature under this option is significantly less than under the Portable Benefits Program. If you take a refund from this option, you will receive a refund of your own contributions plus a credited interest rate of 4½%. However, you are not entitled to a refund of any of your employer contributions.

The **Portable Benefits Package** provides a more generous separation refund if you leave employment prior to retirement. A refund from this option includes your contributions plus full interest. If you have five or more years of service, you will also receive a one-to-one match of your employer contributions. However, the provisions for survivor benefits require a reduction in retirement and death benefits.

Under the Defined Benefit Plans, your entire 8% contribution is allocated to your retirement account balance.

8.00%	Traditional	Portable
6.50%	Retirement	Retirement
0.50%	Automatic Annual Increase	Automatic Annual Increase
1.00%	Survivors	Portability

Your employer contribution is actuarially determined each year and can vary from year to year. It is approximately 9.1% of earnings at the time of your retirement and is used to fund your retirement benefits as well as to fund your disability benefit.

Advantages of the Defined Benefit Plans:

- The State bears the entire investment risk.
- The retirement benefit is known, based on specific formulas.
- SURS hires and supervises professional investment managers.
- You will receive a guaranteed minimum benefit.

Disadvantages of the Defined Benefit Plans:

- For younger employees, it may take many years of service to build a large benefit.
- Employees with short service, or those who expect to leave their job soon, will not earn a large benefit.
- You have no control over account investment decisions.
- The retirement annuity, under any formula, cannot exceed 80% of your final average earnings.

Defined Contribution Plan

In the **Self-Managed Plan** (SMP), your retirement benefit is based on the amount of money that has been contributed to the plan and the earnings on that money over time. Unlike the Defined Benefit Plans, there is no guaranteed payout at retirement. You decide how to invest your contributions and earnings, using one or more of the investment funds the plan offers. If your investments do well, your account will flourish. If your investments do poorly, your account will diminish. In other words, you, the member, bear all of the investment risk.

Under the SMP, your entire 8% contribution is allocated to your retirement account balance. Your employer also contributes 7.6% of your earnings to your account. Of that contribution, 6.6% is added to your retirement account balance and the remaining 1% is used to fund your disability benefit. If you choose the Self-Managed Plan, employer contributions will begin with the first full payroll period following the receipt of your SMP election by SURS. If you leave your employment prior to retiring, you may take a refund of your account balance, which will be equal to your vested account balance. If you have five or more years of service, your refund will also include the value of your employer contributions plus earnings (or losses).

Advantages of the Defined Contribution Plan:

- You benefit when your investment performance is good.
- You can transfer your balance to other Defined Contribution plans should you change employers.
- You have control over investment decisions.
- There is no limitation on your maximum benefit.

Disadvantages of the Defined Contribution Plan:

- You bear the investment risk and need to monitor your investments carefully.
- Your benefit is not known until retirement. It will depend upon investment results, and there is no guaranteed minimum benefit.
- Older employees have fewer years before retirement to invest and build their account.

Other related topics that you may want to consider before making your retirement plan decision include vesting, death benefits, survivor benefits, and retiree health benefits.

You will receive complete information about these choices directly from SURS after they have been notified of your employment. SURS will mail a detailed “Choice Packet” to your home address. For additional information about these choices, contact SURS at (800) ASK-SURS or visit http://www.surs.com.

Note: UI employees eligible for SURS are not covered by federal Social Security; therefore, no Social Security taxes are withheld from earnings. However, persons hired on or after April 1, 1986, are subject to withholding of the federal Medicare tax which amounts to 1.45% of gross salary.

OPTIONAL RETIREMENT AND INVESTMENT PROGRAMS

In addition to your retirement account at the State Universities Retirement System (SURS), you may elect to direct part of your pay, before it is taxed, to investments intended to build a supplemental retirement fund. You may choose from either or both of the following options:

- University's Tax Deferred Retirement Plan, permitted under Section 403(b) of the IRS Code, which includes fixed and variable annuity accounts with insurance companies and mutual fund families.

- State's Deferred Compensation Plan, permitted under Section 457 of the IRS Code, which includes a guaranteed interest account and several individual mutual funds.

Your participation in either of these options does not reduce any of your University benefits based on full salary such as retirement, life insurance, disability, or survivor benefits.

You may also elect to direct part of your pay, on an after-tax basis, to purchase U.S. Savings Bonds as an additional investment option.

WHY DO YOU NEED TO SAVE FOR RETIREMENT?

How can you be sure you will have the money you will need for the future? If you are early in your career, "the future" may seem a long time away. But financial planners encourage you to start planning and saving early to have the financial security that is important for you and your family.

A widely used rule of thumb is that you will need to replace about 80% of your earnings to maintain your standard of living after you retire. The effects of inflation, and the fact that you may be retired for twenty or more years, mean that retirement payments from the State Universities Retirement System (SURS) program (or Social Security or other company pension benefits) alone may not be enough for a comfortable retirement. To achieve your retirement goal, you will likely need to save additional money.

To realize your savings goals, you need to develop a savings and investment strategy that fits your needs.

DETERMINE YOUR INVESTMENT GOALS

Time Is On Your Side

Everyone would like to receive higher rates of return on their savings. The reality is that the types of investments that can grow fast enough to exceed inflation also have some risk of investment loss. In fact, the greater an investment's potential is for growth, the greater its risk of potential loss.

The good news is that if you have a longer time (five years or more) before you will spend your savings (a longer “savings time horizon”), experience shows that the actual risk of losing money in a higher-earning investment decreases. Although higher-earning investments usually experience short term ups and downs in value in response to economic conditions, the chances are very good that, over time, the higher rate of return will more than make up for short-term dips in market value. If you have only a short time to invest, you may want to choose investments with more stable, consistent rates of return.

A Combination Of Investments Helps Out

A good way to minimize your risk of investment loss is **diversification.** This means including a variety of investment alternatives in your savings to offset the risk of any single investment.

The old saying “don’t put all your eggs in one basket” is a good, simple way to illustrate the value of diversification. By spreading your contributions among two or more different types of funds or annuity accounts, you’re less likely to be hurt by the poor performance of a single investment.

Avoid “Buying High and Selling Low”

One way to help reduce some of the risk of swings in market value is to invest regularly, regardless of what is happening to prices. Contributing through payroll deductions is a convenient way to do this.

This technique, called **dollar-cost averaging**, is widely regarded by investment professionals as a less risky way to invest than trying to time your investments to market swings. Using the **dollar-cost averaging** approach, you invest regularly and average the purchase price so that you lessen your risk of a large purchase when the price is high or sale when the price is low.

Be Prepared for Change

After you have selected the investment choices that are right for you and your current situation, be prepared to make changes when necessary. For example, as you get closer to the time when you will be withdrawing money, you may want to move your investments to a more conservative option. Always remember that the technique of dollar-cost averaging also works when changing investments: move smaller amounts over time instead of one large move to help minimize market value loss.

HOW THE TAX DEFERRED RETIREMENT PROGRAMS CAN MEET YOUR INVESTMENT GOALS

There are a variety of investment choices available to you in either the 403(b) or 457 deferred compensation programs. By choosing a combination of investment options, you can construct an investment “portfolio” that’s right for your goals.

Three basic types of investments are available under the 403(b) and 457 Programs:

- **Mutual Funds**
- **Variable-Dollar Annuities**
- **Fixed-Dollar Annuities**

While the Programs offer three types of investment choices, there are many individual options within each type offered by different insurance or investment companies. In the past, insurance companies sold only annuities, while mutual funds were a separate market. However, now you can find insurance companies selling mutual funds and mutual fund companies affiliating with insurance companies to sell annuities.

Mutual Funds

A mutual fund is marketed by an investment company in which an investor's money is combined with the money of many other investors. The total amount of money is invested by a professional manager according to the specific mutual fund's investment objective. Each investor holds a share of the total fund, and is entitled to a portion of the profits of the fund (and, of course, would share in any investment losses).

There are many different types of mutual funds, each with a different objective and different potential for growth (and risk). Each mutual fund invests in a number of securities, which means that the fund is diversified to help minimize risk. When you invest in a mutual fund, you are actually investing in the securities or other investments held in the fund. The mutual fund company that offers the fund does not guarantee the performance of the fund.

When you decide to invest in a mutual fund, you need to take a careful look at the specific fund to make sure it meets your objectives. Listed below are four broad categories of mutual funds:

Money Market Funds

Money is invested in short-term securities such as certificates of deposit (CDs), U.S. Treasury Bills, and short-term corporate securities.

Investment return from money market funds is due to interest. This type of investment is generally considered low risk with little possibility of a short-term change in value.

The long-term rate of return is generally expected to keep pace with inflation, but not to have significant growth possibilities.

Fixed Income Funds

Money is invested primarily in bonds. Fixed income funds differ in the types of bonds they invest in (which may include government bonds or corporate bonds), as well as the average maturity of the bonds (the length of time until the bonds are repaid by the issuer).

This type of investment is generally considered low to moderate risk, with the degree of risk dependent on the type of bonds in the fund and the

average maturity. Some fixed income funds seek to minimize risk by investing only in bonds backed by the U.S. Government.

Investment returns are generated primarily by interest earnings, but can include a change in the bond's value in response to a change in general interest rates. The potential long-term rate of return for this type of fund is moderate and again is dependent on the type of bonds held by the fund.

Balanced Funds

Money is invested in a combination of stocks and bonds. Balanced investment funds differ in the proportion of stocks and bonds they hold. They can also differ in the types of stocks and bonds that they hold.

Balanced investment funds are considered to have moderate risk due primarily to short-term changes in stock and bond values. Since bonds are generally less volatile then stocks, they help to moderate the changes in stock values.

Investment returns result from dividend and interest income, as well as change in the market value of the stocks and bonds. This type of investment is generally considered to have moderate to high potential long-term investment returns.

Equity Funds

Money is invested in the stocks of corporations. Equity investment funds differ in the types of companies they invest in. These differences can include the size of the company and its potential for growth.

Equity investments have a significant potential for short-term changes in value. This potential ranges from moderate to very high risk, depending on the type and diversity of stocks in the fund. Funds that hold many different large, well-established companies, for example, have historically been less volatile than funds that hold stocks of smaller, newer companies.

Long-term investment returns range from moderate to high, depending on the types of stocks held in the fund. Investment returns result from stock dividends as well as the growth in value of the stock itself. For example, emerging growth companies may issue no dividends but may show a large increase in the value of the stock itself.

Variable-Dollar Annuities

When you invest through an insurance company in a variable-dollar annuity, your money is held in separate accounts and is not part of the company's general assets. This type of investment is very similar to mutual fund investments, in that your money is pooled with the money of other investors, and invested according to the investment objective of the variable annuity fund. The same four categories of investments, described above for the mutual funds, also apply to variable-dollar annuities. Again, you must choose among the specific variable-dollar annuity options that meet your needs.

Variable-dollar annuities are also similar to mutual funds in that the stability of the company offering the investment does not affect the performance or safety of your money. The performance of the securities held by the annuity or mutual fund determines the return and risk of the annuity. You would share in the investment's gains (or losses); there is no guarantee on your rate of return.

Fixed-Dollar Annuities

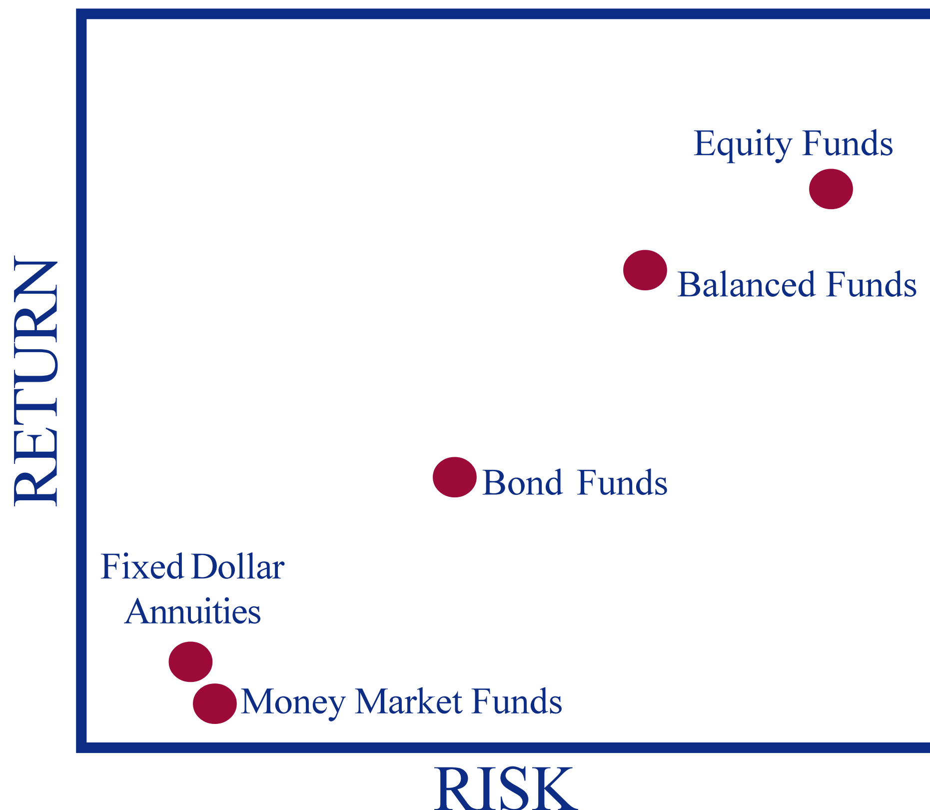
When you invest in a fixed-dollar annuity, your contributions are invested by an insurance company in securities such as bonds, mortgages, and real estate. When you first invest in the annuity, you are guaranteed a fixed rate of return for a specific period of time, usually six months or a year. Fixed-dollar annuities are unlike mutual funds or variable-dollar annuities because they offer a minimum guaranteed investment return, although you may participate in higher returns.

Fixed-dollar annuities generally have a lower rate of return than other investments, but they are considered lower risk. The insurance company assesses investment and administrative fees, along with a charge for the rate guarantee.

The money that you invest in fixed-dollar annuities becomes part of the general assets of the insurance company. For this reason, the financial stability of the insurance company can affect the performance (and safety) of fixed-dollar annuities.

Comparing The Investment Choices

The chart below compares the different categories of investments in terms of their relative potential for short-term changes in value (their risk) and their potential for long-term growth in value (their return).



What To Keep In Mind

The key to a satisfying, financially secure **tomorrow** is to start planning **today**.
You may be considering what investment choices to make, or perhaps even whether you will participate in either the 403(b) Program or the 457 Program at this time.

Remember some basic guidelines:

- **Decide to save, and save early.**
- **Understand the Program options and your investment choices.**
- **Build your savings using the investment combination that's right for you.**
- **Monitor your investments, and adjust your strategy when necessary.**
- **Continue to learn more about investing.**

If you have any questions regarding a specific investment option, you should contact the investment company representative.

The Human Resources Service Center and the Campus Benefits Departments cannot offer specific investment or tax advice, but will provide you with general information about the University's 403(b) Program or the State's 457 Program.

UNIVERSITY OF ILLINOIS 403(b) TAX DEFERRED RETIREMENT PROGRAM

The University's 403(b) Tax Deferred Retirement Program provides an excellent opportunity to plan for the future. The information below will highlight the advantages of saving in the 403(b) Program and provides basic information about enrolling in the plan.

Pretax Savings

The money you save through the program is deducted from your pay *before* taxes are calculated on your income. In other words, your taxable income for that year is lowered by the amount you save through the Program. Depending on your tax bracket, this can mean a significant tax savings on the money you contribute. Another valuable tax advantage of saving in the Program is that the investment earnings in your account are also tax deferred until the year in which you withdraw them, which allows them to grow at a faster rate.

There are limits to the amount that you can contribute to the plan. If you also contribute to the State of Illinois' Deferred Compensation Plan, other limits may apply. Please review the Retirement Plans Limits Sheet placed in the back pocket of this brochure.

Investment Choices

The Program offers several ways for you to invest your money, allowing you to diversify your investments by offering many investment choices with different investment objectives. You can invest your contribution in just about any combination of the investment funds to choose a mix that is right for you. There are three basic types of investments available under the Program:

- **Mutual Funds**
- **Variable-Dollar Annuities**
- **Fixed-Dollar Annuities**

When choosing between investment options in the Program, you should also consider how savings that you may have outside the Program are invested.

The different investment choices in the Program have varying potentials for risk and return. After reading the rest of the brochure and requesting specific information from participating companies, you should be able to select the mix of choices that meets your objectives.

Convenient Payroll Deductions

When you contribute to the Program, your contributions are made through convenient deductions from your paycheck. This can make it easier to save.

Information About Your Eligibility and Contribution Amount

- **Eligibility**
  All University faculty, staff, and academic professional employees, who are receiving compensation while the Plan is effective, may participate as long as they are able to contribute the minimum contribution amount.

- **Minimum contribution amount**
  If you decide to participate in the Program, you must contribute a minimum of $200 per year. Some investment options require that a minimum must be contributed to them each year — check the Prospectus to see if a minimum applies.

- **Contributing the maximum amount**
  The maximum amount you can contribute to the Program in a calendar year is 100% of your taxable pay (after reduction of SURS contribution) up to the annual defined limit, whichever is less. Please review the Retirement Plans Limits Sheet placed in the back pocket of this brochure.

  If you have not contributed the maximum in prior years, you may be able to contribute more under the 403(b) catch up provisions. Call a sponsoring insurance company or mutual fund company for details. When you call, you will be asked for information such as your gross pay and years of University service.

- **Changing your Salary Reduction Agreement**
  You may change the total percentage of your salary that you contribute at any time.

- **Stopping your contributions**
  You can stop contributing to the Program by changing your Salary Reduction Agreement at any time.

Withdrawal Options
Although the Program is a retirement savings program, and you generally cannot withdraw money while you are working for the University, there are times you can access your money before retirement:

- **After Age 59½**
  You can withdraw money from the Program while you are still working, as long as you are at least 59½.

- **Plan Loans**
  You can borrow against contributions that are invested in a fixed interest account managed by an insurance company while you are employed by the University (or after you have terminated employment if you leave your contributions in the Program).

  Contributions invested in any of the other investment options – such as variable annuity accounts managed by an insurance company, or funds managed by a mutual fund company — are not available for loans. However, you may transfer money out of these accounts *into* a fixed-dollar annuity and then take out a loan.

  The maximum amount of a loan is set by the IRS at 50% of the available balance, and the loan cannot in any case be more than $50,000.

- **Hardship Withdrawals**
  In hardship situations that fall within IRS Guidelines, you may be able to withdraw funds while you are working. These situations include educational expenses for you or your dependents, medical expenses not covered by insurance for you and your dependents, and money for a down payment on your home or to prevent foreclosure or eviction from your residence.

  You may withdraw your own contributions from the Program, but not investment earnings on those contributions.

  Withdrawals are usually taxable when you receive them, and if you are under age 59½ at the time of withdrawal, there is generally an additional 10% excise tax applied by the IRS.

Savings Advantage

The following example shows how much money can grow when you save through the University's 403(b) Tax Deferred Retirement Program. When you invest through the Tax Deferred Retirement Program, you save money on taxes now so you have more to invest each year, and your investment earnings grow tax deferred, resulting in more money later. The example was calculated assuming you earn $35,000 a year and want to have the same take-home pay after both pretax savings and after-tax savings.

	If You Save in the Tax Deferred Retirement Program	If You Save Outside the Program
Your Gross Pay	**$35,000**	**$35,000**
Less: SURS and Premium Payment Plan	-$3,000	-$3,000
Your Contribution To the tax Deferred Retirement Program	-$2,000	N/A
Your Net Taxable Income	$30,000	$32,000
Less: Federal and State Income taxes (Assumes 17.6% Tax Rate)	-$5,280	-$5,632
Your Savings Outside The Program	N/A	-$1,648
Your Take Home Pay	$24,720	$24,720
Next, take a look at what happens over time. Assuming annual investment growth (interest) at 8%, here is what you would have at the end of 10 and 20 years **after taxes.**		
Amount you Contribute Each Year	$2,000	$1,648
Your Balance after 10 Years	**$25,784**	**$23,808**
Your Balance after 20 Years	**$81,449**	**$68,886**

Payout Options
At retirement, you can generally elect to have your account balance paid out in one of the following methods:

- Full (lump sum) cash payment
- Partial cash payment
- Monthly installments
- Monthly annuity payments — guaranteed for your lifetime (or your lifetime and your beneficiary's lifetime). These annuities may be the same amount each month, or they may vary depending on the investment return of the annuity.

These payout options are generally available from each of the investments. It is important to check carefully for any limitations, administrative fees, or penalties that may apply; these charges can vary significantly.

Information About Taxes
Your contributions are not taxed until you withdraw them from the Program. You do not have to withdraw your funds – you can leave them in the Program even after you leave employment with the University, up until you reach age 70½. Your contributions stop when you terminate employment, but you will continue to receive quarterly statements showing the growth of your accounts.

When you withdraw money from the Program, you can defer taxes if your contributions are rolled over to another 403(b) account or an Individual Retirement Account (IRA) within 60 days after you receive them. If you request that your 403(b) Program administrator send money directly to an IRA or another 403(b) account, the 20% federal tax withholding that is normally required will not be deducted from the distribution. However, if payments are made directly to you, 20% will be withheld for income taxes.

Decide Which Options Are Right For You
The following tools are available to assist you in deciding which investment option is right for you.

- **Summary Sheets** (placed in the back pocket of this brochure)
  Summary Sheets include:
  - Highlights of the investment products in the Program
  - Listing of the individual funds or annuity accounts offered by the different mutual funds or insurance companies
  - Listing of the telephone numbers you can use to request information on the different investments.

- **Enrollment Kits and Investment Information**
  Enrollment kits and other investment information are available from the participating insurance companies and mutual funds. Contact phone numbers are included on the Summary Sheets.

Summary Sheets
These provide an overview of the investments offered through the Program. The investment option highlights compare important points about the different choices such as interest rates, withdrawal charges, and loan provisions. There is a separate sheet for each mutual fund company and each insurance company. As you review the summary sheets, read about each company's offerings and ratings, and think about how any differences between them might affect you.

The summary sheet for each insurance company will include a "rating" for that company. This is an evaluation of the company's ability to pay back investments when they are requested. The Program's companies are evaluated by a recognized independent organization that bases its ratings on many factors, including the insurance company's financial statement, interviews with management and the quality of the insurance company's investments. The company's financial status is important if you invest in one of their fixed-dollar rate annuity accounts because unlike the other investment options, the insurance company is backing the investment.

Once you have compared the companies and reviewed the specific options they offer, you will need to call the telephone numbers of the companies whose offerings you are interested in. These numbers are found on a separate sheet in the back pocket of this brochure. When you call, you will speak to a representative of the company's products. He or she will also send you an "Enrollment Kit" and a specific brochure (called a "Prospectus") on each of the investment options in which you are interested. The next section will help you review that information when it arrives. A company representative may also be available to meet with you to discuss your specific needs.

Enrollment Kits
Each of the companies has an "Enrollment Kit" that you can request by calling its customer service number. Each kit is different, but generally contains the following.

- **Information about the company —** Includes length of time in business, size of its investment holdings, and services offered.

- **General investment information —** Includes the importance of saving early, the advantages of tax-deferred savings and diversification, and finding an investment strategy that is right for you.

- **A summary of the information about the investment choice —** Includes a definition of "variable-dollar annuity" or "mutual fund", and a short description of some of the funds or annuity accounts offered.

- **A Prospectus —** Describes the fund or variable-dollar annuity account's investment objectives, operations, and performance. (Fixed-dollar annuity investments will not have a Prospectus.) A separate Prospectus is usually given for each fund or variable-dollar annuity account. It is a "legal" description of the investment and must describe all the rules that apply.

- **Enrollment forms, beneficiary designation forms, and a telephone transfer authorization form (if applicable) —** These forms are required for you to begin investing in the annuity account or fund. The next section provides tips on how to fill out these forms.

Complete The Forms

After you have decided what your investment objectives are, and you have chosen the options that meet them, it is time to fill out the forms to begin making your money working for you. You will need to complete the following forms:

- **Salary Reduction Agreement (University Form)**
  This form allows you to choose the percentage of your pay that you want to contribute to the Program and what portion goes to each of the companies. Request the agreement form from either the Human Resources Service Center or your Campus Benefits Department.

- **Enrollment Form (Investment Company Form)**
  Each company whose options you want to invest in has its own form you must complete. Request enrollment forms from the company(s) chosen.

- **Beneficiary Designation Form**
  Each company requires that you fill out its own Beneficiary Designation Form in the event of your death before retirement. In some cases, this information is contained on the Enrollment Form instead of a separate Beneficiary Designation Form.

- **Telephone Transfer Authorization Form**
  If a company has a telephone transfer feature, you may sign up for this feature by completing the form. Sometimes the form is not in the Enrollment Kit, but you may request one by calling the appropriate telephone number.

Submitting Your Forms

Submit your forms to the Human Resources Service Center or your Campus Benefits Department. If you have any questions on filling them out, ask the investment company's representative or a Benefits representative. Your contributions or changes will be effective within the next two payroll periods after the forms are properly completed and received by your campus Benefits Department.

STATE OF ILLINOIS' 457 DEFERRED COMPENSATION PLAN

In addition to the University's 403(b) Tax Deferred Retirement Plan, the State of Illinois' 457 Deferred Compensation Plan also provides an opportunity to plan for the future. There are differences between the University's 403(b) Plan and the State's 457 Plan in areas such as investment options, contribution limits, administrative fees, and withdrawal options. The information below will highlight the 457 Plan and provide basic information about enrolling in the plan.

Pretax Savings

Investments are made with before-tax dollars through voluntary salary deferrals until retirement or earlier termination of employment, death, or hardship. The earnings of these deferrals will compound free of current taxes.

Deferred Compensation contributions and earnings are **completely** exempt from Illinois state income tax, even at the time of distribution. You will never have to pay Illinois income tax on what you save!

Investment Choices

The State Plan offers a variety of investment options through mutual fund companies. A prospectus detailing the description of each of the investment options can be obtained by calling the individual mutual fund companies, or by contacting the State of Illinois Deferred Compensation Office.

Participation Costs

The state legislation that authorizes the Plan requires that the administrative expenses of the Plan be paid from investment earnings or equitably prorated fees charged to participants. To cover the administrative expenses of the Plan, a charge no greater than 1% per year will be assessed on a monthly basis against each participant's account. The fee has never been at the 1% maximum allowed and currently is at an annual rate of 0.15 of 1% with a maximum fee of $75.

There is one additional charge for special transactions. You are allowed to make one exchange (movement of past deferrals) each quarter. This exchange is free of charge. You are charged $10 for each additional exchange made during the same quarter.

In addition, each of the investment funds also has associated expenses and fees. The specific expenses and fees are outlined in the individual investment fund literature.

A statement of your account will be sent to you each quarter.

Eligibility

All state employees who are receiving compensation while the Plan is in effect may participate. The minimum contribution amount is $10 per pay period or $20 per month, whichever is greater. There are limits to the amount you may contribute to the plan. Contributions to other state-sponsored tax-deferred and tax-exempt programs may affect your maximum contribution. Please review the Retirement Plans Limits Sheet placed in the back pocket of this brochure.

Payroll Deduction

You may enroll at any time, and the deduction will take place the following month. Once you have completed your enrollment and beneficiary form, submit it to the Human Resources Service Center or your Campus Benefits Department to start your contributions. Contributions are made through the convenience of payroll deduction only. You may increase or decrease your contribution at any time. The change should take place on the following month's payroll.

Withdrawal Options

Distributions:

- Termination of employment (off of the state payroll for 30 days, including retirement).
- Death
- Incurring an unforeseeable emergency.
- Cash-out provision (small inactive accounts).

Benefits are paid:

- In a lump sum.
- In a partial lump sum — a set dollar amount of your account distributed to you followed by installment payments.
- In installments — over a specific time period (not to exceed your life expectancy at the time of separation) or choose a distribution over a recalculated life expectancy.
- In fixed dollar installments.
- As a plan-to-plan transfer.

For detailed plan information, ask the Human Resources Service Center or your Campus Benefits Department for the State of Illinois booklet titled *Building Blocks for Your Financial Future*. To compare the features of the University's 403(b) Tax Deferred Retirement Plan to the State's 457 Deferred Compensation Plan, please review the 457 vs. 403(b) comparison chart enclosed in the back pocket of this brochure.

U. S. SAVINGS BONDS

In addition to SURS and the Tax Deferred Retirement Programs, U. S. Savings Bonds provide another investment option. You may purchase U. S. Savings Bonds through the ease of payroll deduction. You may choose to invest in either the Series EE Bonds or the Series I Bonds.

Series EE Bonds

The minimum denomination available through payroll deduction is $100. Series EE Bonds are sold at one-half their face value and earn rates based on five-year Treasury securities (i.e., $50 for a $100 denomination bond).

Series I Bonds

The minimum denomination available through payroll deduction is $50. Series I Bonds are sold at full face value and offer a real rate of return above and beyond inflation (i.e., $50 for a $50 denomination bond).

Both Series EE and I Bonds are backed by the full faith and credit of the United States and have the following benefits:

- Interest earned is exempt from state and local income taxes.
- There may be special tax benefits available to you if you use the Savings Bonds to save for your children's education. If you qualify, you can exclude all or part of the interest earned by your Bonds from federal income taxes when you redeem the Bonds to pay for college tuition and fees.
- The interest accrues monthly and compounds semiannually.
- Bonds can be cashed at a minimum after 6 months.
- There are no fees or service charges.

Contact the Human Resources Service Center, or your Campus Benefits Department (Urbana) or the Payroll Office (Chicago and Springfield) for a payroll deduction card.

Investing In Your Future

The information contained in this booklet is intended to serve as an overview of the retirement and investment benefit programs available to you. If there are any differences between the information contained in this brochure and the official plan documents, the plan documents will govern. The benefit plans described in the booklet may be changed, modified, or eliminated at any time. For additional plan contact and reference information, please refer to the enclosed Summary Sheets placed in the back pocket of this brochure.

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