State of Illinois Deferred Compensation Plan
Frequently Asked Questions (FAQ)

What is a deferred compensation plan and are there any contribution limits?

The State of Illinois Deferred Compensation Plan ("Plan") is a supplemental retirement plan for State employees. Contributions to the Plan can be made on a pre-tax or after-tax (Roth) basis through salary deferrals. However, the combined pre-tax and Roth contributions cannot exceed the IRS limit.

In 2021, employees are allowed to defer up to $19,500. Employees over age 50 are allowed to defer up to $26,000. Employees enrolled in Special Catch-Up are allowed to defer up to $39,000.

What are the fees participants are charged by the Plan?

Participant fees are $16.75 per quarter, or $67.00 a year, if the account balance is greater than $6,700.00.

If the account balance is less than $6,700.00, the participant fees are 0.25% of the account balance per quarter (but not to exceed 1% annually).

Which is better: a 457(b) plan or a Roth individual retirement account (IRA)?

Each Plan type has its own unique advantages. Therefore, the plan that is best for you depends on your own unique retirement goals and preferences. However, the primary benefit of a 457(b) plans over an IRA (either Roth or Traditional) is that contribution limits are much higher for 457(b) plans ($19,500 vs. $6,000 in 2021).

Click here to learn more about the different types of retirement plans.

Am I able to make maximum contributions to my Plan and a personal Roth IRA?

Yes, if you make IRA contributions you may still max out your 457(b) contributions, regardless of contribution type (e.g. Roth or pre-tax).

IRA contributions do not count towards your 457(b) contribution limit, and vice-versa. Therefore, you may max out contributions to both Plans.

Am I able to invest in pre-tax and Roth accounts at the same time?

Yes, you would need to make two separate elections through T. Rowe Price by visiting www.rps.troweprice.com or by calling 888-457-5770.

Do contribution limits apply to combined pre-tax and Roth Plan contributions?

The $19,500 limit applies to the combined contributions. You may not contribute $19,500 to each.

What happens to contributions that exceed the maximum amount?

Contributions that exceed the maximum limit set by the IRS are not allowed to remain in the Plan. If you contribute over the applicable IRS limit and a correction cannot be made through the payroll process, the excess contributions will be returned to you as taxable income as soon as possible.

Does the State of Illinois tax Plan distributions?

No, Illinois does not currently tax retirement income.

How do Plan contributions show up on my W-2?

If you have made pre-tax contributions in the tax year, income reported in Box 1 of your W-2 will be reduced by the amount of those contributions. Additionally, those contributions will be totaled in a Box 12 under the G code.

Roth contributions will not reduce Box 1 of your W-2. Those contributions will be totaled in a Box 12 under the EE code.

How are my Deferred Compensation Plan (“Plan”) funds distributed?

There are a variety of distribution options from which to choose – a single lump sum, installments, or a plan-to-plan roll over. The installment amounts can vary – payments can be made monthly, quarterly, semi-annually, or annually. You will continue to earn interest and/or dividends and receive quarterly statements.

How do I enroll or make changes to my Plan?

Enrollment into the Plan and/or changes to your Plan can be made by visiting rps.troweprice.com or by calling 888-457-5770.

How do I designate a beneficiary?

To designate a beneficiary, visit www.rps.troweprice.com and create an account by clicking on the Profile link at the top of the page, and scrolling down to the Beneficiary Information section.

If you prefer to physically sign a paper form, you can request a form from T. Rowe Price by calling 888-457-5770.

Do beneficiaries have to pay federal taxes on Plan funds?

Beneficiaries will be responsible for paying Federal taxes on **pre-tax** funds, but only at the time of distribution. Beneficiaries will not be taxed on qualifying Roth distributions.

What are Special 457(b) catch-up contributions, and how do I know if I qualify?

If you do not defer up to the IRS contribution limit in any given year you are eligible, this special catch-up provision allows you the opportunity to contribute some or all of these unused or underutilized deferral amounts from prior years.

You may defer the special 457 catch-up contributions during the last three years before you reach “normal retirement age” as defined in the Plan document. During these three years, you are able to defer the regular IRS 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.

To determine if you are eligible, call CMS Deferred Compensation at 217-782-7006 or send an email to CMS.Ben.DefComp@illinois.gov

How do I enroll in the Special 457(b) catch-up program and how I do I start contributing a lump sum?

First, you would need to enroll in Special Catch-Up by calling CMS Deferred Compensation at 217-782-7006 or sending an email to CMS.Ben.DefComp@Illinois.gov to determine if you are eligible.

Next, you would need to determine your lump sum estimate in order to calculate how much of your lump sum can be deferred. Your payroll office should be able to assist. If not, please contact CMS.

You may make a lump sum contribution in additional to regular payroll contributions. However, your total contributions cannot exceed the IRS limit for the year that contributions are made.

What are the benefits of converting a portion of an IRA to a Roth IRA?

With a Roth IRA, you will have the opportunity to build your retirement savings tax-deferred and potentially enjoy tax-free income once you retire. You can make contributions at any age as long as you have taxable compensation for the year, below eligibility income limits*

*In order to contribute to a Roth IRA, single filers must have a modified adjusted gross income (MAGI) under $139K for tax year 2020 and $140K for tax year 2021. Married couples filing jointly must have a MAGI under $206K for tax year 2020 and $208K for tax year 2021.

Can I roll over my Plan funds to a different type of plan?

Yes, in addition to before-tax and Roth contributions, the Plan allows in-Plan Roth rollovers. An in-Plan Roth rollover allows you to convert non-Roth amounts (e.g., elective salary deferrals or rollover contributions) to a Roth account inside the Plan instead of rolling them into a Roth IRA outside the Plan. The in-Plan Roth rollover applies Roth tax advantages to more of your Plan savings. This option is only available to Plan participants.

For more information about potential tax advantages of an in-Plan Roth rollover, consult your tax advisor.

Can I roll funds from a previous employer into the Plan?

Yes, your Plan accepts rollover contributions of vested balances from other employers' eligible plans.

At what age can I start using funds from my Plan?

At any age and/or after you have separated from the State for at least 30 days. However, keep in mind that distributions on Roth earnings are taxable if you are not at least 59½.

Can I use Plan funds to purchase credits to retire early?

The State Employees' Retirement System (SERS) allows qualifying optional service credit to be purchased using Deferred Compensation funds. However, you must contact SERS to determine if you are eligible to purchase credit for any qualifying period.

For any specific questions or if you would like additional information or assistance, call T. Rowe Price at 888-457-5770. A team of specialists will assist you.