



TOWN OF ISLIP

DEFERRED COMPENSATION PLAN



Enrollment Book / Plan Highlights

A smart way to save
for retirement

- Reduce your income taxes with pre-tax contributions
- Contribute with convenient payroll deductions
- Choose from a wide array of investment options
- Access your Plan account 24/7

Welcome to the Town of Islip Deferred Compensation Plan!

Saving for the future is important. Americans are living longer and spending as much as 20 or more years in retirement. In fact, most experts agree that you'll need approximately 70% of your pre-retirement income for each year you spend in retirement.

The Town of Islip Deferred Compensation Plan can help you start saving now so you can enjoy a more secure retirement tomorrow. The Plan is offered in compliance with Internal Revenue Code Section 457 and enables participants to accumulate retirement savings on a tax-deferred basis.

We are confident that your participation in the Plan can play an important role in helping you achieve your retirement savings goals. Please review this brochure carefully before completing the enclosed enrollment forms.

Eligibility

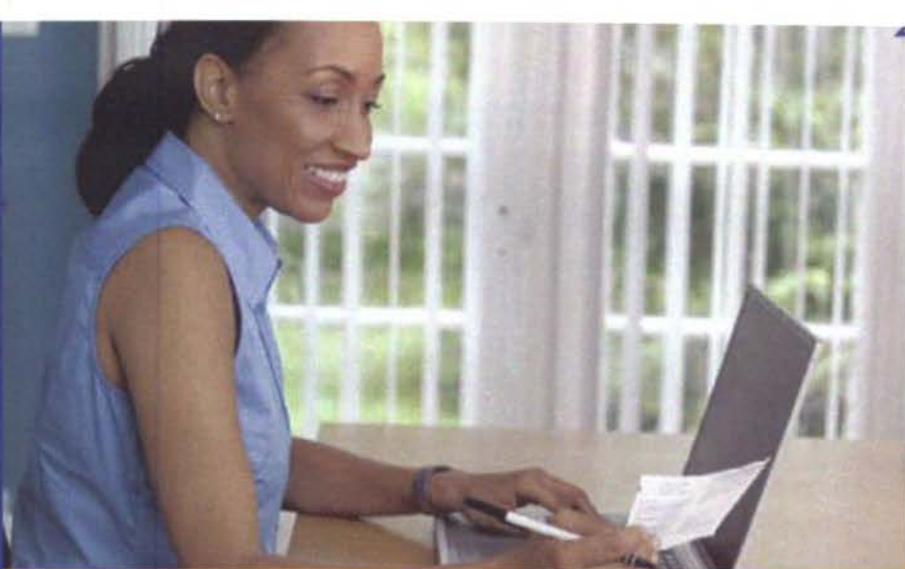
As a Town of Islip employee, you are immediately eligible to enroll in the Plan, which offers a smart way to save for retirement.

- Convenient payroll deductions
- Tax breaks
- Wide choice of investment options
- Professional investment management
- 24/7 account access

Questions?

Call the Plan Information Line at **888.444.3916** during business hours to speak with a Customer Service Representative.

Get started today! It's as easy as 1, 2, 3...



Step 1.

Decide how much to contribute.

Contribute as much as you can for as long as you can, to help secure your financial future. (See page 4 for current contribution limits.)

Step 2.

Choose your investments.

There are three ways to invest: select a Target Date Fund, build a portfolio from the Plan's core investments, or establish a Self-Directed Brokerage Account.

Step 3.

Enroll.

Complete the enclosed forms to enroll in the Plan today!

Once enrolled, you can change how much you contribute to the Plan and your investment elections at any time. You will need your Social Security number and password to access your account by phone or online.

Return your completed forms to:

ING

Attention: Enrollment Services

PO Box 6723

Somerset, NJ 08875

Your Account Password

Each employee should have had a password mailed to his/her address on record. You will need your password to log in to the Plan Web site and to access your account information when you call the Plan Information Line. You may access your account *without your password* by speaking with a Customer Service Representative.

Misplaced your password? There are two ways to get one mailed to you.

- Click on "Forgot Your password?" on the login page of the Plan Web site.
- Call the Plan Information Line and follow the instructions for requesting a password reminder.

Your password will be mailed first class within three business days to your address on file.

Tax Advantages

Save on taxes now

Contributions are taken out of your paycheck before you pay federal or state taxes. This lowers your current taxable income, so the amount deducted from your paycheck for taxes is lower.

Your investment grows tax-deferred

Your contributions and all investment earnings are tax-deferred. You do not pay taxes until you take money out of your account, usually in retirement. At that time, your distributions will be taxed as ordinary income.

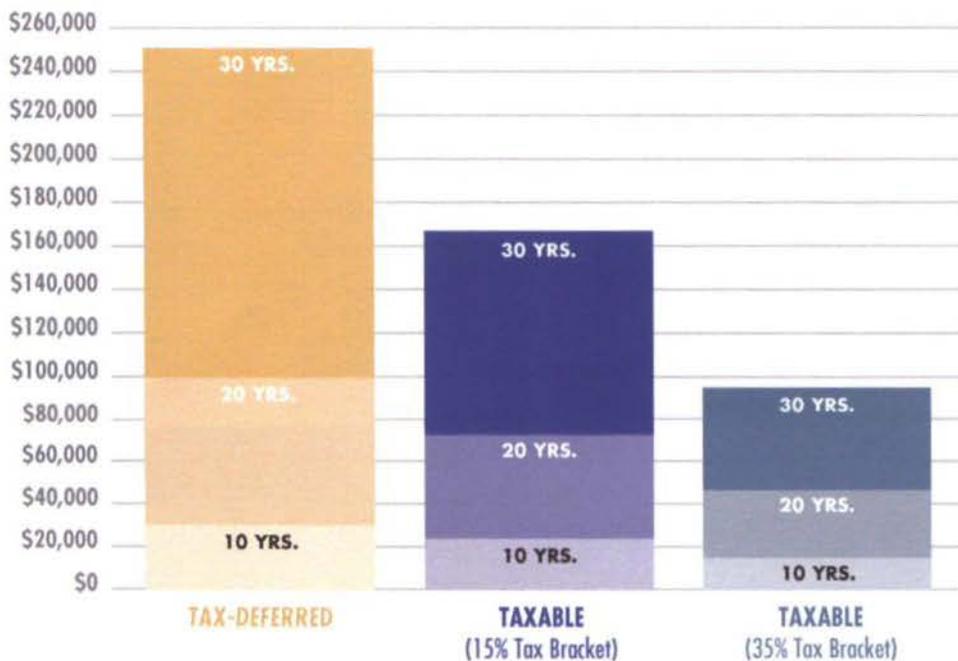
Special Retirement Savings Tax Saver's Credit

If you meet certain income restrictions, you may also qualify for a special Tax Saver's Credit, which lowers your taxable income when you file your annual tax return. The credit may benefit married couples filing jointly with an adjusted gross income (AGI) of not more than \$67,500 and single filers with an AGI of not more than \$28,750. Call the Plan Information Line for more information.

The dramatic power of tax-deferral

Tax-deferred investing offers a key advantage when it comes to saving for retirement. With a taxable account, you make contributions with money you've already paid taxes on, and your earnings are impacted by taxes each year. When you contribute to a tax-deferred account like the Plan, your investments and earnings grow without the burden of taxes, offering the potential for greater growth over time.

Tax-Deferred vs. Taxable Investing



Watch your savings grow \$2,000 Annual Contributions

\$2,000 to a tax-deferred account

\$2,000 to a taxable account
(\$1,700 after adjusting for taxes
in the 15% tax bracket)

\$2,000 to a taxable account
(\$1,300 after adjusting for taxes
in the 35% tax bracket)

This chart assumes an annualized investment return of 8%, and is for hypothetical illustration. Your savings may be more or less depending on the actual return of your investments. The example does not constitute specific tax or investment advice and is not necessarily indicative of the performance of any investment. Please be sure to carefully review all investment information prior to investing.

Contributing to the Plan

You decide how much you want to save through convenient pre-tax payroll deductions, and you can change the amount at any time.

Minimum contribution: \$10 per pay period

Maximum annual contribution: \$17,000

If you will be age 50 or older by year end, you may be eligible to make extra catch-up contributions. You cannot use the Age 50 Catch-up and 3-Year Catch-up provisions at the same time.

Maximum age 50 or Older Catch-up contribution: \$5,500

Maximum 3-Year Catch-up contribution: \$34,000



The sooner you start, the better you finish. Give your savings the advantage of time and tax-deferred growth.

Start saving now!

It's never too late to start saving and investing. However, the sooner you start, the more likely you are to reach your goal of a more comfortable retirement. Starting early can mean thousands more when you retire. Consider this example:

A Story of Two Investors

Jill	Saves \$160 per month X 10 yrs = \$19,200 saved	Stops saving at 40, but investments continue to grow	\$216,289
Jack	Delays saving until age 40	Saves \$160 per month X 25 yrs = \$48,000 saved	\$153,179
	Age 30	Age 40	Age 65

Jill starts saving right away, contributing \$160 a month for 10 years and then stops contributing. Her account continues to grow for the next 25 years.

Jack delays his start, waiting 10 years. Then he contributes \$160 a month for 25 years. He thinks he can make up time by contributing for a far longer time period.

So who ends up with more? The chart tells the story. At retirement, **Jill** has over \$60,000 more! **Jill's** savings and investment earnings have the chance to compound and grow more over a longer time period. The moral of the story — **start saving now, even if it is just a small amount!**

This hypothetical example assumes an 8% annual investment return, and savings totals are approximate. Your savings may be more or less, depending on the actual return of your investments. The example does not constitute specific tax or investment advice and is not necessarily indicative of the performance of any investment. Please be sure to carefully review all investment information prior to investing.

Your Investment Options

You can choose from the Plan's investment options and change your selections at any time.

Target Retirement Date Funds

SSgA Target Retirement Income Fund	N/A*
SSgA Target Retirement 2010 Fund	N/A*
SSgA Target Retirement 2015 Fund	N/A*
SSgA Target Retirement 2020 Fund	N/A*
SSgA Target Retirement 2025 Fund	N/A*
SSgA Target Retirement 2030 Fund	N/A*
SSgA Target Retirement 2035 Fund	N/A*
SSgA Target Retirement 2040 Fund	N/A*
SSgA Target Retirement 2045 Fund	N/A*
SSgA Target Retirement 2050 Fund	N/A*

Core Funds

	Ticker
SSgA Solutions Stable Value Fund	N/A*
Western Asset Core Plus Bond Fund	WACIX
Oakmark Equity & Income Fund II	AAGPX
Van Kampen Equity & Income Fund A	ACEIX
American Beacon Large Cap Value Plan	AAGPX
Van Kampen Growth & Income Fund A	ACGIX
SSgA S&P 500 Fund	N/A*
Davis NY Venture Fund	NYVTX
Hartford Capital Appreciation Fund R3	ITHRX
Janus Adviser Forty Fund S	JARTX
Legg Mason Partners Aggressive Growth Fund A	SHRAX
Artisan Mid Cap Value Fund	ARTQX
First American Mid Cap Value Fund A	FASEX
AIM Development Fund A	ACDAX
Munder Mid Cap Core Growth Fund A	MGOAX
Goldman Sachs Small Cap Value Fund A	GSSMX
Westcore Small-Cap Value Fund	WTSVX
Legg Mason Partners Small Cap Growth Fund A	SASMX
Royce Value Plus Fund Service Class	RYVPX
SSgA International Alpha Select Fund	N/A*

* These Institutional Funds are available only to retirement plan participants and do not trade on public exchanges. Therefore, ticker symbols are not applicable.

The **Self-Directed Brokerage Account**, offered through State Street Global Markets LLC, gives you access to most stocks and bonds and more than 10,000 mutual funds, including 1,300 no-load, no-fee funds.



Most investors have one basic requirement — they want to be in control of their money.

With this Plan, you *always* are.

You have options

You can take the simple route and choose a Target Retirement Date Fund, take a more hands-on approach and build a tailored portfolio from among the Plan's core funds, or set up a Self-Directed Brokerage Account.

Target Retirement Date Funds — a simple one-step investment solution.

Each fund has a broadly diversified mix of stocks and bonds. This mix automatically adjusts and rebalances to become more conservative as you move closer to your target retirement date. You just select the fund with the date that *most* closely matches when you expect to retire or to begin taking withdrawals. Then let the fund do the rest.

Prior to investing, you should carefully review all fund information and objectives and consult with your investment advisor.

Managing Your Account

Enroll today. Simply complete and return the enclosed **Enrollment and Beneficiary Designation** forms. You may change the amount you contribute and your investment choices at any time.

Resources to assist you

Customer Service Representatives are available to answer questions, help you enroll, and assist you with account transactions over the phone.

The Plan Web site provides a wide range of interactive tools to help you learn more about saving and investing.

24/7 account access

<http://retirementconnect.ingplans.com>
or 888.444.3916

You will need your Social Security number and password to access your account via the phone system or online. (You may access your account without your password by speaking with a Customer Service Representative.)

- Monitor your account balance.
- Manage your investments & transfer money among funds.
- Change your contribution amounts.
- Choose Automatic Rebalancing to help keep your investments on track.
- Review fund performance.
- Download forms.

Statements

- View, download, or print account statements from the Plan Web site.
- Receive quarterly account statements and newsletters mailed to your home.

Consolidate your retirement savings

- If you were participating in a prior employer's plan, you can roll over those savings into the Town of Islip Deferred Compensation Plan. A **Rollover Form (Plan to Plan Transfer)** is enclosed.

Withdrawals

The Plan is designed as a long-term retirement savings program. To learn more about withdrawing your savings, please call the Information Line.

- Withdrawals are permitted when you separate from service with the Town of Islip.
- Exceptions may be made if you qualify for certain IRS-defined financial hardships.
- Withdrawals from the Plan may be subject to 20% federal tax withholding. State tax withholding also applies.
- Employee pre-tax contributions that are part of a hardship withdrawal are not subject to the 20% withholding.
- You must begin taking distributions from the Plan no later than April 1 following the year in which you reach age 70½.

Loans

Active and approved leave of absence employees may be eligible to take a loan from the Plan. Only one loan may be taken at a time. The minimum loan amount is \$1,000; the maximum loan amount is \$50,000 or 50% of your vested account balance reduced by your highest outstanding loan balance during the past 12 months. For example:

- If your balance is \$1,000 - \$10,000, you may borrow the entire balance.
- If your balance is \$10,001 - \$20,000, you may borrow up to \$10,000.
- If your balance is \$20,001 and higher, you may borrow 50% of the balance, not to exceed \$50,000.

For more information, call 888.444.3916.

Leaving employment

If you change jobs, you can choose what to do with your account.

- Leave it invested in the Plan.
- Roll over your Plan account to another eligible retirement plan or to a qualified Individual Retirement Account (IRA).



Participating in the Town of Islip
Deferred Compensation Plan can help
you achieve a more secure financial future.
Review this brochure. If you have questions, visit
<http://retirementconnect.ingplans.com>
or call **888.444.3916** to speak with a
Customer Service Representative.

<http://retirementconnect.ingplans.com>

• 888.444.3916

