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# THE ART INSTITUTE OF CHICAGO

The Art Institute of Chicago Defined Contribution Retirement Plan (DCP)

SAIC School of the Art Institute of Chicago

## BROWSE OVER, SIGN IN, MEET UP

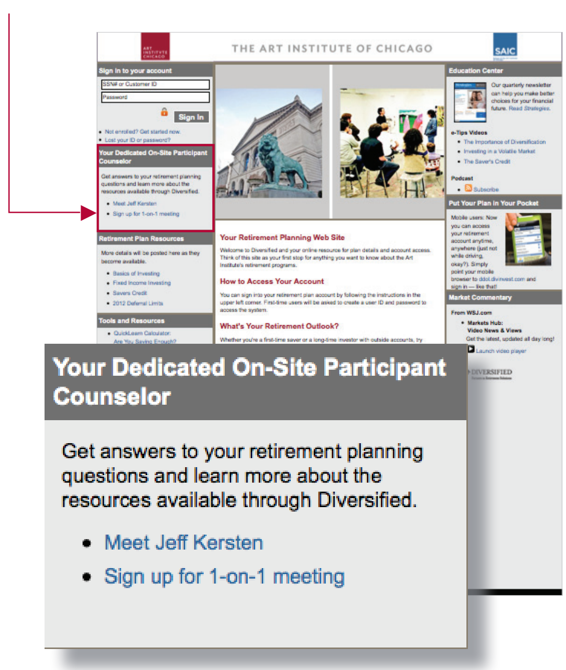
The new website devoted to the AIC retirement plans—**aic.divinvest.com**—offers more than a way to learn about your plan, brush up on investing, and sign in to your account. It also enables you to schedule one-on-one meetings with your dedicated Diversified onsite participant counselor,* Jeff Kersten.

Jeff can answer your plan-related questions, help guide you in determining your retirement savings goals and strategy, and help you take advantage of the many tools and resources offered by Diversified, our plan recordkeeper. We hope you'll take advantage of this opportunity to discuss retirement planning with an expert.

Jeff Kersten

* *The role of the onsite participant counselor is to assist you with your savings and investment plan. There are no fees or commissions for meeting with your onsite participant counselor, who is a registered representative with Diversified Investors Securities Corp. (DISC), 440 Mamaroneck Avenue, Harrison, NY 10528.*

To set up a session, simply click on "Sign up for one-on-one meeting" on the left-hand side of the screen, then follow the prompts to choose the available meeting date and time that's most convenient for you.



# YOUR PLAN AT A GLANCE

## Defined Contribution Retirement Plan (DCP)

The Art Institute of Chicago's retirement plan offers tax-deferred savings and generous incentives for you to invest in your future.

**Contributions**

- Your contributions: Up to 100% of pay, subject to IRS annual limits ($17,000 in 2012, plus $5,500 in "catch-up" contributions** if you are at least age 50 or will be this year.)
- Matching contribution: AIC will match the first 4.5% of pay you contribute, dollar for dollar.
- Fixed contribution: AIC automatically contributes the equivalent of 4.5% of pay to your account on your behalf, even if you don't contribute.
- All contributions are pretax, with balances subject to federal income tax upon withdrawal.

*** Additional "catch-up" limits may apply to certain employees; see Summary Plan Description (SPD) for details.*

**Vesting** (portion of account you own even if you leave AIC)

- Your contributions and related earnings: 100% immediately
- AIC matching contributions and earnings: 100% immediately
- AIC fixed contributions and earnings:
  - Faculty: 100% immediately
  - Staff: 100% after 1) three years of service; or 2) turning age 65 while employed by AIC; or 3) death or disability while employed by AIC

**Rollovers** (from former employer plans)

- Yes, allowed

**Loans**

- One outstanding loan allowed at a time
- Minimum: $1,000
- Maximum: 50% of vested balance

*See Summary Plan Description (SPD) for details.*

**Withdrawals**

Vested balances may be withdrawn upon:

- Termination of employment
- Financial hardship as defined in the Summary Plan Description (SPD)
- Death

*Descriptions of plan features and benefits are subject to the plan document. The plan document will govern in the event of any inconsistencies.*

# WHAT DO YOU NEED TO DO?

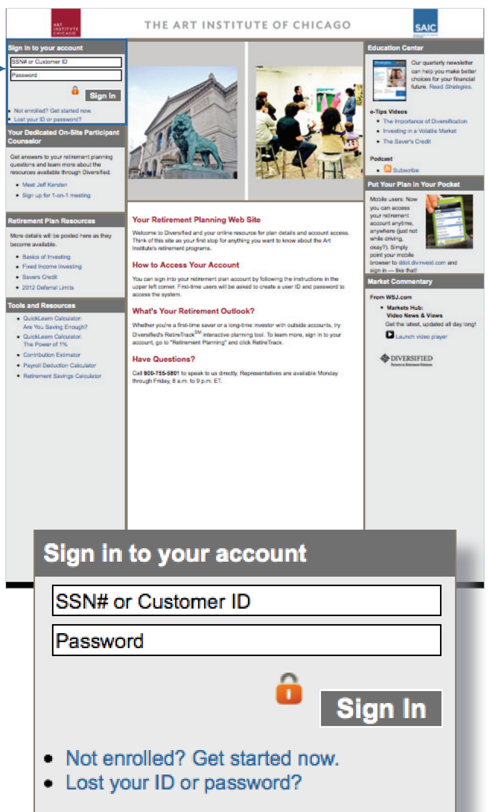
## MAKE YOUR FINANCIAL LIFE A LITTLE *E*-ASIER!

Here's a great way to make managing your retirement account more convenient: Sign up for e-documents! Electronic statements, confirmations, and investment materials help you go green, get organized—and get on with your life.

Here's how it works: When your electronic materials are ready, you'll receive an email with a link to sign in to your account. You can then choose to view the document whenever it's convenient for you. What's more, you can always connect to your account and print a copy if you want.

To sign up, sign in to your account at **aic.divinvest.com** and click on **"e-documents"** in the **Account History** menu at the top of the page. You—and the environment—will be glad you did!

*(When you sign up, be sure to read the Terms and Disclosures and add "edocuments@divinvest.com" to your list of accepted email senders. This way, your important e-document alerts won't be marked as spam.)*




## RAISE YOUR RATE (NOT YOUR BLOOD PRESSURE)

Even if you're taking full advantage of AIC's savings incentives, you may not be socking away enough to reach your retirement income goal. So, consider Diversified's free SaveXpress$^{SM}$ service*. SaveXpress automatically raises your plan contribution rate once a year by an amount you choose. That can make it easier to reach your target—after all, if you don't see the money, you're less likely to miss it. What's more, even small, regular increases can make a big difference over time.

To sign up, sign in to your account at **aic.divinvest.com** and click on **"Deferrals/Payroll Deductions"** in the **Transactions** menu.

** You should evaluate your ability to continue the service in the event of a prolonged market decline, unexpected expenses, or unforeseeable emergencies.*

## NAME YOUR BENEFICIARIES!

Have you named or updated the beneficiaries for your retirement plan account? You should. This simple but important step ensures that in the event of your death, your account balance will go to whomever you choose. But if you don't have a designation on file with Diversified, the plan will make that decision for you.

So, take a few minutes today—and save your loved ones potential trouble tomorrow.

It's easy to get the form(s) you'll need to submit to name your beneficiary or update your election—or just to learn whose names are on file for you:

Simply call Diversified at **800-755-5801**.

# Your Investment Options

The DCP enables you to save for retirement in the way that best suits your investing style and comfort level. Your investment lineup has been carefully selected with an eye toward diversification, cost, and management. You will find a broad range of choices for building and managing a well-diversified fund portfolio on your own or for quickly creating a diversified mix by making just one basic decision.

## Make a Single Decision

**OR**

## Build Your Own Portfolio

### Option 1 Target Date Funds

Each of these mutual funds is designed to be a complete, diversified investment program. The "target" year in the fund's name represents when you expect to retire or plan to start withdrawing your money, and the fund's asset mix changes over time based on that year. If you didn't make an investment choice when you enrolled in the plan, you were automatically assigned to a BlackRock LifePath fund based on your birth date.

Target date funds invest in stocks, bonds, and cash equivalents (sometimes through other funds). Stocks historically have outperformed other investments over periods of 20 years or more, but they also tend to face greater short-term risks. So, the farther away the target year—and the more time you have to make up for possible short-term losses—the more the fund will focus on stocks. Then, as the target approaches, the funds' managers will gradually shift to a more conservative investment mix, with greater emphasis on bonds and cash.

Choose the fund whose target (shown in its name) best matches when you expect to retire or plan to start withdrawing your money. Use the column at the right to help guide you.

| Fund | Year You'll Turn 65 |
|---|---|
| BlackRock LifePath Retirement Instl (STLAX) | 2014 or earlier |
| BlackRock LifePath 2020 Instl (STLCX) | 2015 to 2024 |
| BlackRock LifePath 2030 Instl (STLDX) | 2025 to 2034 |
| BlackRock LifePath 2040 Instl (STLEX) | 2035 to 2044 |
| BlackRock LifePath 2050 Instl (STLFX) | 2045 or later |

*Target date funds are subject to the same risks as the underlying assets in which they invest. The higher the fund's allocation is to stocks, the greater the risk. The target year represents approximately when the fund's managers assume you plan to start withdrawing your money. The fund's principal value is never guaranteed, including at and after the target. You can lose money by investing in a target date fund, including near and after retirement. There is no guarantee the fund will provide adequate retirement income.*

### Option 2 PortfolioXpress®

This free service provides a target portfolio from **the list of funds on page 5**, based on your expected years to retirement and risk preference. It allocates new account contributions (and transfers existing balances) to those funds; automatically rebalances your account each quarter to maintain your target mix; and gradually adjusts the mix to become more conservative as you get closer to retirement.

You can turn the service on or off at any time. To get started, sign in to your account at **aic.divinvest.com**, then click on **PortfolioXpress** in the **Transactions** menu at the top of the screen.

*PortfolioXpress® is a registered service mark of Diversified Retirement Corporation (Diversified). PortfolioXpress presents a series of asset allocation models up to and through a designated retirement year. You are solely responsible for choosing the retirement year and risk preference. In implementing the service, you agree to each of the asset allocation mixes and automated rebalancing transactions that will take place over time within your account as you approach the selected retirement year. If you sign up, you should carefully review the service agreement for additional information regarding other terms and conditions that may apply to this service. Retirement date portfolios are subject to the same risks as the underlying asset classes in which they invest. The higher the portfolio's allocation is to stocks, the greater the risk. The principal value of the portfolio is not guaranteed at any time, including at and after the target date.*

# Your Investment Options

**Build Your Own Portfolio** **OR** Make a Single Decision

## Choose among these investment options:

**CONSERVATIVE**
LOWER RISK/LOWER RETURN POTENTIAL

**AGGRESSIVE**
HIGHER RISK/HIGHER RETURN POTENTIAL

**Stable/Money Market**
Vanguard Prime Money Market Fund[1] (VMMXX)

**Intermediate/Long-Term Bonds**
Federated Total Return Bond Svc[1,2,4] (FTRFX)
Vanguard Total Bond Market Index Signal[2] (VBTSX)
PIMCO Real Return Admin[2,3,4] (PARRX)

**Large-Cap Stocks**
American Funds Fundamental Invs R3[5,6] (RFNCX)
TIAA-CREF Social Choice Eq Retire[5,6] (TRSCX)
Vanguard 500 Index Signal[5] (VIFSX)

**Small/Mid-Cap Stocks**
Vanguard Extended Market Idx Signal[7] (VEMSX)
Royce Pennsylvania Mutual Invmt[7,6] (PENNX)
Nuveen Real Estate Secs I[6,8,9] (FARCX)

**International Stocks**
American Funds EuroPacific Gr R3[6,10] (RERCX)
Vanguard Total Intl Stock Index Signal[6] (VTSGX)

***For more information on any registered fund, please call Diversified at 800-755-5801 for a free summary prospectus (if available) and/or prospectus. You should consider the investment objectives, risks, charges, and expenses of an investment carefully before investing. The summary prospectus and prospectus contain this and other information. Read them carefully before you invest.***

*Please refer to the investment disclosures on page 7.*

*Diversification does not assure a profit or protect against market loss.*

# Borrowed time?

## A retirement plan loan can cost more than you think!

You may think you have good reasons to take a loan from your account. But before you borrow from your future, consider the potential costs:

- **Lost savings.** Money you take from your account stops earning money for you, tax-deferred. And even when you repay it, you do so in much smaller amounts over a period of years. That "opportunity cost"—incremental earnings on small amounts instead of compounding on your original sum—can make it harder, and take longer, to get your balance back to where you started, let alone build it up to what you'll need at retirement. Worse, if you stop contributing to your account while you repay your loan, the hole in your nest egg will be even deeper.

- **Delayed retirement.** Less money in your account, and the lost growth potential that comes with it, could force you to work longer to reach your retirement income goal.

- **Double taxation.** Contributions to your traditional retirement plan account come from your paycheck before taxes are taken out; you're only taxed when you withdraw your money. But loan repayments (also pulled from your paycheck) are made with after-tax dollars. So, you'll owe income tax on the money to repay your loan—and again when you withdraw from the plan. And if you were wondering: Unlike a mortgage or home equity loan, interest on a retirement plan loan is not tax-deductible.

- **Default.** If you leave the Art Institute while your loan is outstanding, you'll still have to repay the remaining balance on the schedule you agreed to when you took the loan. If you can't do so, you'll be in default—and the IRS will consider the entire unpaid balance a taxable withdrawal. Worse, if you're under age 59½, not only will you owe federal income tax; you'll also face a 10% early-withdrawal penalty, and, if applicable, state tax to boot.

Think ahead. Dont shortchange your future. Carefully consider the costs—and the alternatives—before requesting a retirement plan loan. It can make a big difference in your future financial security.

***Diversified is prohibited by law from providing tax or legal advice. The information in this article is intended solely as a general summary and is not intended to serve as specific legal or tax advice. For legal or tax advice concerning your situation, please consult your attorney or professional tax advisor. Even though care has been taken in preparing this material and presenting it accurately, Diversified disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it.***

# Important Information

[1] *An investment in a* **money market fund** *is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.*

[2] *Bonds and bond funds are subject to interest rate risk, credit risk, and inflation risk. Interest rate risk means that the value of bonds and bond funds generally falls when interest rates rise, causing an investor to lose money upon sale or redemption.*

[3] *Lower rated, high-yield corporate debt securities represent a much greater risk of default and tend to be more volatile than higher rated or investment-grade bonds.*

[4] *Investments in derivatives may subject the fund to greater volatility than investments in traditional securities.*

[5] *Equity funds, unlike bond funds, invest in equity securities, which include common stock, preferred stock, and convertible securities. Because such securities represent ownership in a corporation, they tend to be more volatile than fixed income or debt securities, which do not represent ownership.*

[6] *Foreign securities and markets pose different and possibly greater risks than those customarily associated with domestic securities, including currency fluctuations and political instability.*

[7] *The securities of small and medium-size companies, because of the issuers' lower market capitalizations, may be more volatile than those of large companies.*

[8] *Real estate investing is very sensitive to interest rates, and volatility may increase in a changing rate environment.*

[9] *This fund is classified as a non-diversified investment company, which may be subject to greater market fluctuation.*

[10] *Growth stocks may be especially volatile because their prices are largely based on the market's expectation of future earnings.*

***Diversified Investors Securities Corp. (DISC), 440 Mamaroneck Avenue, Harrison, NY, 10528, distributes securities products. Any mutual fund offered under the plan is distributed by that particular fund's associated fund family and its affiliated broker-dealer or other broker-dealers with effective selling agreements such as DISC. Diversified and DISC are affiliated companies, but are not affiliated with Art Institute of Chicago.***

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# THE ART INSTITUTE OF CHICAGO

The Art Institute of Chicago Defined Contribution Retirement Plan (DCP)

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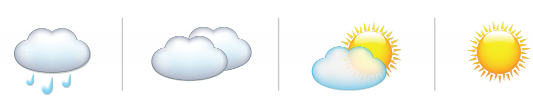
Important information inside about your
**Art Institute of Chicago Defined Contribution Retirement Savings Plan**

Brighten **your** outlook.

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