

UNIVERSITY OF ILLINOIS

TAX-DEFERRED RETIREMENT PLAN

February 1, 2004

INTRODUCTION

The University of Illinois Tax-Deferred Retirement Program is an optional employee program allowed under Sections 403(b) and 403(b)(7) of the Internal Revenue Code. Under Section 403(b), employees of certain organizations, including public universities, can enter into salary reduction agreements with their employers. Under the salary reduction agreement, a portion of the employee's compensation (selected by the employee and within the limitations imposed by the Internal Revenue Code) is applied on a before-tax basis to an annuity contract owned by the employee, rather than being paid directly to the employee. Under Section 403(b)(7), these contributions can be invested for retirement purposes in custodial accounts holding mutual funds shares. These amounts, together with any investment earnings, are not subject to federal income tax until they are paid to the employee (or beneficiary).

Participation in this Tax-Deferred Retirement Plan is voluntary. Employees are not required to join the plan. Each employee who does join the plan is responsible for making decisions regarding the possible benefits or tax consequences of various options which are available under the plan, including selection of available insurance companies, investment companies, accumulation accounts, custodial accounts and contracts.

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ARTICLE I

ESTABLISHMENT OF TAX-DEFERRED RETIREMENT PLAN

1.1 Establishment of Plan. The Board of Trustees of the University of Illinois established the University of Illinois Tax-Deferred Retirement Plan (the "Plan") effective July 1, 1964. The Plan (initially called the Salary Annuity Option Program) was amended in 1967, 1980, 1984, 1993, 1997, 2002, and 2004.

This Plan document sets forth the provisions of the Plan, as of February 1, 2004. Contributions under this Plan are made under sections 403(b) and 403(b)(7) of the Internal Revenue Code (the "Code") and are invested, at the direction of the Participant, in one or more of the Accumulation Accounts or Custodial Accounts available under the Plan.

ARTICLE II

ELIGIBILITY AND PARTICIPATION

2.1 Eligibility and Participation. All employees are eligible to begin participation on the first day of any pay period. Participation is voluntary. Employees are not required to join the Plan. Contributions cannot be made to an Accumulation Account or a Custodial Account after termination of employment.

To participate in this Plan, an Eligible Employee must complete the necessary enrollment form and a Salary Reduction Agreement, and return them to the campus Benefits Center of the University. Each participant is responsible for making decisions regarding the possible benefits or tax consequences of various options which are available under the Plan, including the selection of Insurance Company, Investment Company and accumulation or custodial account. The employee may terminate contributions under the Plan at any time by completing the necessary revocation form and filing it with the Benefits Center. Participation is subject to rules of the Internal Revenue Service, the Code, and the terms of the contracts between the Insurance/Investment Companies and the University and/or the Participants.

ARTICLE III

CONTRIBUTIONS

3.1 Contributions. Contributions to this Plan (referred to hereafter as "Plan Contributions") are in addition to any contributions which may be made to the State Universities Retirement System. To participate, an Eligible Employee must enter into a written agreement with the University of Illinois. Under the agreement, the employee's salary is reduced and the amount of the reduction is applied as contributions to the annuity accumulation accounts or the custodial accounts available under this Plan. Plan Contributions shall be made at least monthly except for months in which no salary is paid, and shall be forwarded by the University of Illinois to the Insurance Company or Investment Company selected by the Participant.

These amounts, together with any investment earnings, are not subject to federal income tax until they are paid to the employee (or beneficiary).

3.2 Limitations on Plan Contributions. The Plan Contributions made by the University on behalf of a Participant are subject to a \$200.00 annual contribution minimum, as permitted by Code Section 403(b).

The total Plan Contributions made by the University on behalf of the Participant for any year under this Plan and all other plans, contracts or arrangements of the University will not exceed the limits imposed by Code Sections 402(g), 403(b), 414(v), and 415. The limits of Code Sections 402(g), 403(b), 414(v), and 415 are incorporated herein by reference.

3.3 Allocation of Contributions. A Participant may allocate Plan Contributions among the available Insurance Companies and Investment Companies in any whole number percentages that equal one hundred percent (100%).

3.4 Leave of Absence. During a leave of absence with pay, Plan Contributions will continue to be made in accordance with the salary reduction agreement. No Plan Contributions will be made during a leave of absence without pay.

ARTICLE IV

COMPANIES AND ACCOUNTS

4.1 Companies and Accounts. Plan Contributions are invested in one or more of the accumulation accounts and custodial accounts established by Insurance Companies and Investment Companies identified in this Article IV. The Insurance Companies and Investment Companies that are available to Participants as of the date of this document are:

- Fidelity Investments Institutional Services Company, Inc.
- Teachers Insurance & Annuity Association/College Retirement Equities Fund (TIAA-CREF)

The University's current selection of Insurance Companies and Investment Companies is not intended to limit future additions or deletions of Insurance Companies and Investment Companies.

4.2 Fund Transfers. A Participant may transfer funds accumulated under a bona fide tax-deferred annuity provider to any of the Investment Companies or Insurance Companies available under this Plan.

A Participant may transfer funds accumulated under this Plan among the available Insurance Companies and Investment Companies and their Accumulation Accounts and Custodial Accounts. All transfers are subject to the provisions and any restrictions of each Insurance Company or Investment Company and the Code. The Plan Administrator will not be a party to such agreements.

4.3 Account Transfers. Effective January 1, 2002, a Participant may transfer, through a trustee-to-trustee transfer, all or a portion of the Participant's Accumulation Account or Custodial Account to a defined benefit governmental plan (as defined in Code Section 414(d) if such transfer is (a) for the purchase of permissive service credit (as defined in Code Section 415(n)(3)(A)) under such plan; or (b) a repayment to which Code Section 415 does not apply by reason of Code Section 415(k)(3).

ARTICLE V

VESTING

5.1 Vesting. The Participant is fully and immediately vested in all Plan Contributions made under this Plan. The University of Illinois has no interest in or control over the Accumulation Accounts or Custodial Accounts.

ARTICLE VI

DISTRIBUTIONS

6.1 Distributions. The Participant is entitled to receive benefits under any of the options offered by the Accumulation Account or Custodial Account. However, distributions from an Accumulation Account attributable to amounts accrued in after December 31, 1988, and/or distributions from a Custodial Account may be paid only when a Participant attains age 59_, separates from service, dies, becomes disabled, or in the case of hardship. Effective January 1, 2002, the phrase "has a severance from employment" shall be substituted for the phrase "separates from service." Hardship distributions are subject to the restrictions adopted in Section 6.4. Distributions to a Participant made prior to attaining age 59_ may be subject to early withdrawal penalties under the Code.

6.2 Direct Rollovers. A Participant may elect a direct rollover of eligible rollover distributions to an eligible retirement plan that accepts direct rollovers or from an eligible retirement plan, as long as the Participant meets Code requirements for a direct rollover and complies with the terms of the contract between Participant and the Insurance Company or Investment Company.

6.3 Death Benefits. If the Participant dies before retirement benefit payments begin, the entire value of the Participant's Accumulation Account or Custodial Account is payable to the Beneficiary or Beneficiaries named by the Participant under one of the options offered by the Insurance Company or Investment Company.

6.4 Hardship Distributions. Hardship distributions under Section 6.1 shall be available only if permitted by the Insurance Company or Investment Company and within the terms of the Accumulation Account or Custodial Account and the parameters established by the Code. The University of Illinois does not determine whether a hardship exists or a hardship distribution should be made.

6.5 Distributions Required by Law. Distributions from the Participant's account will begin no later than the date required by law and shall continue at a rate that complies with Code requirements.

6.6 Application for Distribution. Procedures for receipt of distributions are initiated by writing directly to the Insurance/Investment Company. Distributions will be payable by the Insurance/Investment Company upon receipt of a satisfactorily completed application for distributions and supporting documents. The necessary forms will be provided to the Participant, the surviving spouse, or the Beneficiary by the Insurance/Investment Company.

6.7 Loans. Subject to the terms of the Accumulation Account or Custodial Account, loans are available to the Participant.

ARTICLE VII

GENERAL PROVISIONS AND LIMITATIONS REGARDING DISTRIBUTIONS

7.1 No Assignment or Encumbrance of Retirement Rights or Benefits. To the fullest extent permitted by law, no benefit under the Plan may at any time be subject in any manner to encumbrance, the claims of creditors or legal process. Unless authorized by court order, no person will have the power in any manner to assign, or in any way encumber his or her benefits under the Plan, or any part thereof.

ARTICLE VIII

ADMINISTRATION

8.1 Plan Administrator. The University of Illinois is the administrator of this Plan ("Plan Administrator"), and has designated the Benefits Managers on its respective campuses to be responsible for initiating payroll reductions, sending Plan Contributions for each Participant to the Insurance/Investment Company selected by the Participant, and for performing other administrative duties for the operation of the Plan. As the Plan Administrator, the University of Illinois is precluded from giving investment advice.

8.2 Insurance/Investment Companies. The Insurance Companies and Investment Companies will be responsible for providing information to participants regarding enrollment, investment options, and performance; processing contributions, withdrawal request, transfers and changes in investment mix; providing record keeping services and such other services as provided for in agreements with the Plan Administrator.

8.3 Designated Provider. The University will designate one of the Insurance/Investment Companies identified in Article IV as the designated provider to calculate maximum contribution limits for all Plan Participants on a schedule determined by the University.

ARTICLE IX

AMENDMENT AND TERMINATION

9.1 Amendment and Termination. While it is expected that this Plan will continue indefinitely, the University reserves the right at any time to amend or terminate the Plan, or to discontinue any further contributions or payments under the Plan, by resolution of the Board. If the Plan is terminated or if contributions are discontinued, the University will notify all Participants, and any agreements for salary reduction that have been entered into will become void with respect to salary amounts yet to be earned.

9.2 Limitation. Notwithstanding the provisions of Section 9.1, the following conditions and limitations apply: (a) No amendment will be made which will operate to recapture for the University any contributions previously made under this Plan. However, Plan Contributions which were made based on a mistake of fact may be returned to the University for appropriate disposition; and (b) No amendment will deprive, take away, or alter any accrued right of any Participant insofar as contributions previously made under the Plan are concerned.

ARTICLE X

MISCELLANEOUS

10.1 Plan Not an Employment Contract. Nothing contained in this Plan will be construed as a commitment or agreement on the part of any person to continue his or her employment with the University, and nothing contained in this Plan will be construed as a commitment on the part of the University to continue the employment or the rate of compensation of any person for any period. All employees of the University will remain subject to discharge to the same extent as if the Plan had never been put into effect.

10.2 Claims of Other Persons. No provisions in this Plan will be construed as giving any Participant or any other person, firm, or corporation any legal or equitable right against the University, its trustees, officers, employees, or agents, except that employees of the University shall have the right to participate in accordance with the terms and provisions of this Plan.

10.3 Contracts – Incorporation by Reference. The terms of the contracts between the Insurance Companies and Investment Companies and the University and/or the Participants and any certificates issued to a Participant in accordance with the provisions of such contracts are a part of the Plan as if fully set forth in the plan document and the provisions of each are incorporated by reference into the Plan. In cases where there is any inconsistency or ambiguity between the terms of the contracts, the terms of the contracts control.

ARTICLE XI

REQUESTS FOR INFORMATION AND CLAIMS PROCEDURES

11.1 Requests to Plan Administrator. Any request for information concerning eligibility, participation, contributions, or other aspects of the operation of the Plan may be directed to the Plan Administrator.

11.2 Claims and Other Request for Information. Requests for information concerning the Insurance/Investment Companies and their accounts, their terms, conditions and interpretations thereof, claims thereunder, any request for review of such claims, and service of legal process may be directed in writing to the appropriate Insurance/Investment Company. If a written request is denied, the Insurance/Investment Company shall, within a reasonable period of time, provide a written denial to the Participant. A Participant may request in writing a review of a claim denied by the Insurance/Investment Company and may submit issues and comments in writing to the Insurance/Investment Company. The Insurance/Investment Company shall provide to the Participant a written decision upon such request for review of a denied claim.

ARTICLE XII

DEFINITIONS

The words and phrases defined in this Article have the following meanings throughout this plan document:

Accumulation Account. “Accumulation Account” means the separate account established for each Participant by an Insurance Company. The current value of a Participant’s Accumulation Account includes all Plan Contributions, less expense charges, and reflecting credited investment experience.

Beneficiary/Beneficiaries. “Beneficiary” or “Beneficiaries” means the individual(s), institution(s), trustee(s), or estate(s) designated by the Participant to receive the Participant’s benefits at his or her death.

Board. “Board” means the University’s Board of Trustees.

Code. “Code” means the Internal Revenue Code of 1986, as amended.

Custodial Account. “Custodial Account” means the separate account established for each Participant by an Investment Company. The current value of a Participant’s Custodial Account includes all Plan contributions, less expense charges, and reflecting investment experience.

Eligible Employee. “Eligible Employee” means any employee of the University.

Insurance/Investment Company. “Insurance/Investment Company” means an insurance, variable annuity, mutual fund or retirement company that makes accumulation accounts or custodial accounts available to Participants under the Plan.

Participant. “Participant” means any employee of the University who has submitted the enrollment form and Salary Reduction Agreement in accordance with Article II.

Plan. “Plan” means the University of Illinois Tax-Deferred Retirement Plan, as restated by this document.

Plan Contributions. “Plan Contributions” means contributions made on behalf of the Participant as described in Article III.

Plan Year. “Plan Year” means January 1 through December 31 during the time the Plan is in effect.

University. “University” means University of Illinois.

Employer Identification Number:

Plan Number: