



INVESTING FOR RETIREMENT GOALS

A Summary of Your
Deferred Compensation
Retirement Plan





WELCOME TO YOUR

Retirement Future

Many experts estimate that you'll need at least 75 to 85 percent of today's income to maintain your lifestyle during retirement.

You'll probably have Social Security and perhaps a pension from your employer. Your retirement savings may also play an important role in meeting your goals.

As a public sector employee, you have the opportunity to build your retirement investments — and reduce today's taxes — through a Section 457 deferred compensation plan.

In the following pages, you'll learn how your deferred compensation plan works and why you should start investing today.*

You'll also be introduced to ICMA-RC, created over 30 years ago by public sector employees.

Don't delay. Join more than 650,000 public sector employees across the nation who are committed to a secure, well-planned retirement.

** Please consult both the current Vantagepoint Funds Prospectus and Making Sound Investment Decisions: A Retirement Investment Guide carefully for a complete summary of all fees, expenses, charges, financial highlights, investment objectives, risks and performance information. Investors should consider the Fund's investment objectives, risks, charges and expenses before investing or sending money. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before investing. Vantagepoint Funds are distributed by ICMA-RC Services LLC, a wholly owned broker-dealer subsidiary of ICMA-RC, member NASD/SIPC. For a current prospectus, contact ICMA-RC Services LLC, 777 North Capitol Street NE, Washington, DC 20002-4240. 1-800-669-7400.*

HOW IT WORKS

What is deferred compensation?

Deferred compensation is a program that allows you to invest today for your retirement. Federal, and in most cases state, income taxes are deferred until your assets are withdrawn, usually during retirement when you may be in a lower tax bracket.

How does deferred compensation work?

Under Section 457 of the Internal Revenue Code, you may defer each year a maximum of 100% of your “gross compensation”* or an annual dollar limit, whichever is less. The dollar limit for 2006 is \$15,000. After 2006, the limits will be indexed to inflation in \$500 increments.

Contributions are conveniently made through payroll deduction so your taxes are reduced each pay period.

Our plan allows you to increase, decrease, stop and restart contributions as often as you wish, without fees or penalties, subject to your employer’s approval.

* *Your gross compensation must first be reduced by any mandatory pre-tax (“picked-up”) employee 401 plan contributions.*

What are the benefits of investing in a 457 Plan?

A 457 plan offers many benefits:

- You reduce your current income taxes while investing for retirement.
- Your earnings accumulate tax-deferred.
- You can dollar-cost average through convenient payroll deductions.*
- If you are 50 (or older) or within three years of your normal retirement age and already contributing the maximum to your plan, you are allowed to make additional “catch-up” contributions.
- It’s portable. If you change jobs, you can consolidate your savings in another public sector employer’s 457 plan, a qualified 401 plan, a tax-sheltered 403(b) annuity plan, or a Traditional IRA.
- If you retire or leave service early, there is no penalty for withdrawals.
- Supplemental investments are helpful in states and communities where no contribution is made to Social Security.

** Dollar cost averaging does not assure profit or protect against loss in a declining market. Since dollar cost averaging involves continuous investing, regardless of fluctuating prices, investors must consider their level of comfort in continuing to invest during a declining market.*

A GREAT SAVINGS TOOL

How does deferred compensation beat conventional investing?*

In two ways. First, deferred compensation gives you a significant tax break. In conventional investing, you pay taxes on income before you can set some aside for investing. Deferred compensation allows you to invest the full amount:

Conventional Investment Account

Total to invest		Taxes taken out		Total invested
\$2,400	–	\$600	=	\$1,800

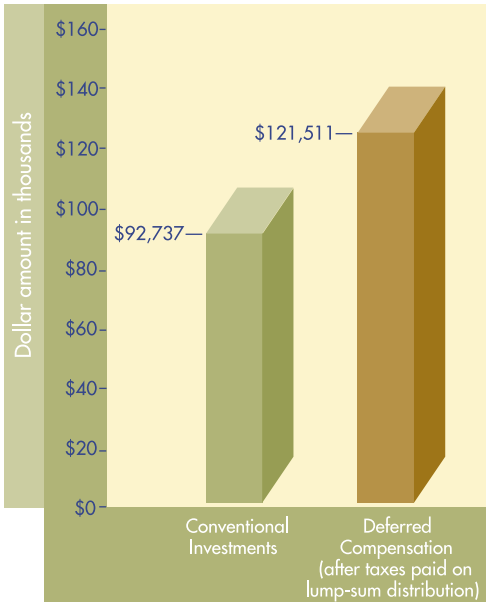
Taxes taken out are based on the 25% tax bracket

Deferred Compensation Account

Total to invest		Taxes taken out		Total invested
\$2,400	–	\$0	=	\$2,400

* *Deferred compensation plans are not FDIC-insured or guaranteed by any governmental agency.*

Second, your earnings also benefit from tax deferral, as illustrated below:



Assumes you contribute \$200 monthly, earn 7% and are in the 25% pre-retirement tax bracket.

Deferred Compensation: \$200 per month saved for 300 months earning 7% annually = \$162,014.

Less lump-sum tax at 25% = \$121,511.

Conventional Investments: \$200 per month after tax at 25% = \$150. \$150 per month invested for 300 months, which provide earnings of 7% annually which are taxed at 25% = \$92,737.

For illustrative purposes only. Actual results may be higher or lower.

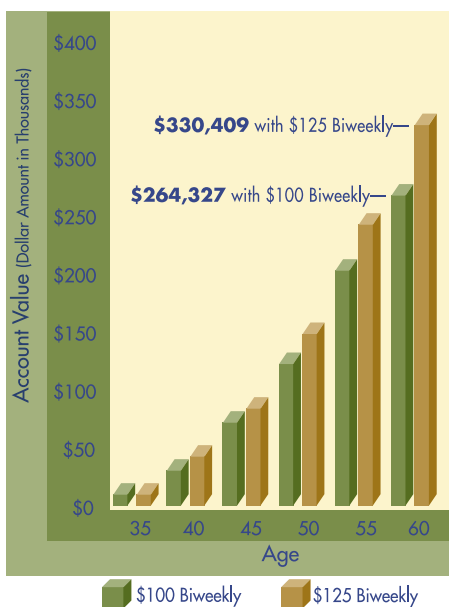
Does it matter when I begin investing?

It makes a huge difference. If you begin investing \$100 biweekly today and earn an average of 7 percent annually, in 20 years you'll have \$112,867 available. But if you wait five years to start, your account would have only \$68,675. That's a \$44,000 difference in your account. Over time, compounding of earnings does most of the work for you.

How much should I contribute?

You should contribute as much as you can afford to put away for retirement, because every extra dollar you invest will have a significant impact over the long term. Say you are 30 years old and contribute \$100 biweekly into your account. At age 60, if you earned 7 percent on your investment, you would have \$264,327. But if you contributed just \$25 more biweekly, you would have \$330,409. As the graph below shows, a little extra goes a long way toward securing your retirement.

Contributing \$25 More Biweekly Greatly Increases Investments By Age 60*



* Not an actual account. For illustrative purposes only. Past performance may not be indicative of future returns.

HOW YOU INVEST

What are my investment options?*

ICMA-RC offers a wide array of investment options. Investors may choose from our own Vantagepoint Funds or other popular funds offered in the VantageTrust Mutual Fund Series. Other funds may also be available in your plan.

The Vantagepoint family of funds consists of registered mutual funds including Actively Managed Funds, Index Funds, target-date Milestone™ Funds and risk-based Model Portfolio Funds. Our funds are listed in most major newspapers.

Our Actively Managed Funds are based on a multi-management approach. Our team of investment analysts carefully select and monitor nationally-recognized investment managers, called subadvisers. By diversifying across styles, a multi-management approach is designed to continue historically competitive performance that has produced greater consistency than a single-manager approach.

Our Index Funds provide alternative investment options for investors who prefer funds that mirror some of the most popular investment benchmarks.

* *Please consult both the current Vantagepoint Funds Prospectus and Making Sound Investment Decisions: A Retirement Investment Guide carefully for a complete summary of all fees, expenses, charges, financial highlights, investment objectives, risks and performance information. Investors should consider the Fund's investment objectives, risks, charges and expenses before investing or sending money. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before investing. Vantagepoint Funds are distributed by ICMA-RC Services LLC, a wholly owned broker-dealer subsidiary of ICMA-RC, member NASD/SIPC. For a current prospectus, contact ICMA-RC Services LLC, 777 North Capitol Street NE, Washington, DC 20002-4240. 1-800-669-7400.*

The Milestone Funds™* offer an all-in-one investment strategy that changes with you as you move through the significant milestones in your life. Each fund is professionally managed with a specific target retirement date in mind. These Funds invest in various Vantagepoint Funds.

Spanning time horizons and risk levels, the Vantagepoint Model Portfolio Funds* provide pre-set diversification and periodic rebalancing appropriate for both conservative and aggressive investors. These funds invest fixed allocations in various Vantagepoint Funds.

What are the fees, minimum investments, and/or restrictions?

ICMA-RC prides itself on its competitive fee structure and publishes all fees in the *Vantagepoint Funds Prospectus* and *Making Sound Investment Decisions: A Retirement Investment Guide*. All funds offered through ICMA-RC are no-load** and have no minimum investment required.

You may generally transfer your assets between funds without restriction. However, some funds impose redemption fees (or may otherwise limit your ability to conduct frequent transfers) in order to prevent market timing activities and to protect the interest of long-term investors.

* Please be advised that with “Fund of Funds” arrangements, additional underlying fees may apply. Please consult the prospectus for details.

** Other fees may apply, please consult Making Sound Investment Decisions: A Retirement Investment Guide and the current prospectus.

WITHDRAWING YOUR MONEY

When can I withdraw assets from my account?

You can withdraw assets from your account under the following conditions:

- **Retirement** – When you retire.
- **Leaving employment** – When you leave your job, for any reason.
- **Unforeseeable emergency** – This is defined as a severe financial hardship resulting from a sudden illness, disability or accidental property loss, subject to strict IRS guidelines.
- **Small balance account withdrawals** – You are eligible to initiate a one-time disbursement of your account if the balance is \$5,000 or less and neither you nor your employer have contributed to the account for at least two years. Your account will automatically be distributed if the balance is less than \$1,000 and no contributions have been made for two years.

You may generally transfer your assets between funds without restriction. However, some funds impose redemption fees (or may otherwise limit your ability to conduct frequent transfers) in order to prevent market timing activities and to protect the interest of long-term investors.

After I leave my employer, what are my options?

When you leave your employer, you may keep the money invested in the plan, transfer (“roll over”) your money to another retirement plan, including another public employer’s 457 plan, a qualified 401 plan, a 403(b) plan, or a Traditional IRA, or withdraw your assets. You have the ability to take your assets with you as you move between the public, private, and educational sectors.

Does ICMA-RC offer an IRA?

Yes. ICMA-RC offers a No-Fee Vantagepoint IRA*, a full-featured IRA product that includes a brokerage option.** You may wish to consider consolidating your other IRA assets into a No-Fee Vantagepoint IRA. For more information, contact Investor Services at 1-800-669-7400 or use our IRA Wizard online at www.icmarc.org/xp/products/ira/.

* *The No-Fee Vantagepoint IRA has a low initial minimum investment of \$1,500, which is waived if funded through the convenience of an automatic investment program (AIP). Non-AIP accounts with a balance of less than \$1,500 on June 30 of any given year will be charged an annual maintenance fee of \$25.*

** *ICMA-RC has entered into a relationship with UVEST Financial Services, Inc., a registered broker-dealer affiliate of NASD/SIPC, to offer you this brokerage program. All securities and brokerage programs are offered through UVEST. ICMA-RC and UVEST are not affiliated.*

When is the latest I must begin receiving benefits?

You must begin receiving benefit payments no later than April 1 of the calendar year following the year you reach 70 ½, or the year in which you actually retire, if later.

When I retire, how do I schedule my benefit payments?

We provide some of the most flexible payment options available from any deferred compensation program. You determine the payment schedule that's right for you:

- (A) Periodic payments (monthly, quarterly, etc.) over a specified number of years
- (B) Periodic payments (monthly, quarterly, etc.) over your determined life expectancy
- (C) Periodic payments of a specified amount per month or per year until the account is exhausted
- (D) Rollover to another plan or a Traditional IRA, including ICMA-RC's Vantagepoint IRA
- (E) A lump-sum payment
- (F) Purchase of a lifetime annuity.*** If you choose this option, ICMA-RC on your behalf will transfer a lump-sum payment from your account to an insurance company not affiliated with ICMA-RC or your employer.

*** *Annuities are insurance products available through companies not affiliated with the ICMA-RC. Please consult Income for Life Annuity Program: Immediate Annuities for Retirement Income, prior to purchasing an annuity. 1-800-669-7400.*

In addition, an annual automatic cost-of-living adjustment (COLA) may be elected with options (A), (B), and (C) listed above.

Once you begin receiving payments, you are able to stop and restart your payments as well as to increase and decrease them as your financial needs change.

After I leave my employer, how long do I have before I must make my benefit payment decision?

Unless your account balance is under \$1,000 or you are 70 ½ and are required to begin withdrawing money, there is no deadline for making your payment decision. When you are ready to take a distribution, you may contact us to obtain a copy of the *457 Deferred Compensation Plan Benefit Withdrawal Packet*. This packet provides information regarding requirements and procedures associated with plan withdrawals.

What happens in the event of my death?

In the event of your death, your beneficiary can take withdrawals under any schedule, as long as the time period is no longer than his/her life expectancy. Your beneficiary may choose a shorter time frame. Your beneficiary should review the *Beneficiary Withdrawal Packet* for more information on available payment options. In most cases, these payments must begin by December 31 of the year following the year of your death. If your beneficiary is your spouse, he or she may be able to postpone the beginning date, and may be able to roll the money into another retirement plan or Traditional IRA, including an ICMA-RC Vantagepoint IRA.

If you die after you started receiving benefits, your beneficiary should notify us as soon as possible so that your payment schedule can be halted while your beneficiary determines the schedule that will best suit his or her own financial needs.

When you are ready to take a distribution, you may contact us to obtain a copy of the 457 Deferred Compensation Plan Benefit Withdrawal Packet. This packet provides information regarding requirements and procedures associated with plan withdrawals.

THE ICMA-RC SYSTEM

What is the ICMA-RC System?

The ICMA-RC System – ICMA Retirement Corporation (ICMA-RC), VantageTrust Company, The Vantagepoint Funds and ICMA-RC Services, LLC, Vantagepoint Investment Advisers, LLC and Vantagepoint Transfer Agents, LLC – work to satisfy your retirement needs.

You benefit from independent accounting of plan assets, a wide array of investment options, ongoing fund analysis, and more. The ICMA-RC System is designed so the assets you put away today will be there for you tomorrow.

■ ICMA-RC

ICMA-RC is a not-for-profit corporation founded by public service employees in 1972 with the help of the International City/County Management Association and a grant from the Ford Foundation. ICMA-RC became the first organization to offer a nationally available deferred compensation retirement program for public sector employees.

ICMA-RC helps establish and maintain retirement plans exclusively for state and local government employees. ICMA-RC's principal lines of business are Section 457 deferred compensation plans, Section 401 defined contribution plans, and Individual Retirement Accounts (IRAs). ICMA-RC is an investment adviser registered with the Securities and Exchange Commission (SEC).

■ VantageTrust Company

The VantageTrust is a group trust that is legally separate from ICMA-RC. It provides for the commingled investment of assets of retirement plans administered by ICMA-RC. Trust assets are not subject to the claims of the creditors of ICMA-RC. The Trust, offered through the VantageTrust Company, offers a range of investment funds and each fund has been designed for retirement plan investing.

ICMA-RC provides investment advisory services to the Trust.

ICMA-RC helps establish and maintain retirement plans exclusively for state and local government employees. ICMA-RC's principal lines of business are Section 457 deferred compensation plans, Section 401 defined contribution plans, and Individual Retirement Accounts (IRAs).

■ The Vantagepoint Funds

The Vantagepoint Funds, which is sponsored by ICMA-RC, is an SEC-registered “series” investment company (mutual fund) offering 27 distinct portfolios. Each portfolio has a different investment objective and strategy. The funds of the VantageTrust each invest solely in the shares of a corresponding Vantagepoint Fund, with the exception of the stable value PLUS Fund.

■ ICMA-RC Services, LLC

ICMA-RC Services, LLC (“RC Services”) is the wholly-owned broker-dealer through which Vantagepoint Securities are distributed. ICMA-RC Services is a member of the NASD and SIPC and is a subsidiary of ICMA-RC.

■ Vantagepoint Investment Advisers, LLC

Vantagepoint Investment Advisers, LLC (“VIA”) serves as an investment adviser to the Vantagepoint Funds. VIA is an affiliate of ICMA-RC.

■ Vantagepoint Transfer Agents, LLC

Vantagepoint Transfer Agents, LLC (“VTA”) serves as transfer agent for The Vantagepoint Funds. VTA is an affiliate of ICMA-RC.

What services can I expect?

ICMA-RC is committed to offering the best retirement products and services available. Our programs are designed specifically for public employees. Some of the additional advantages are:

- Internet site at www.icmarc.org
- 24-hour access to account information via toll-free telephone and the Internet
- Ability to transfer assets and allocate future contributions over the phone and the Internet
- Competitive fees, no hidden fees. Free fund-to-fund transfers among investment options*
- Personalized service, including assistance in enrollment and retirement planning
- Quarterly combined account statements and performance summaries
- Quarterly newsletter
- Nationally recognized education materials including *Charting Your Course*, a comprehensive retirement planning tool

* *Administrative management and fund expenses may apply. Consult the current prospectus and Making Sound Investment Decisions: A Retirement Investment Guide for complete details by calling 1-800-669-7400.*

This plan introduction is designed to provide you with general plan information. If there is a conflict between the information in this brochure and either the plan document, Making Sound Investment Decisions: A Retirement Investment Guide, or the Vantagepoint Funds Prospectus, the plan document Investment Guide, or Prospectus will be the controlling document.

Please consult both the current Vantagepoint Funds Prospectus and Making Sound Investment Decisions: A Retirement Investment Guide carefully for a complete summary of all fees, expenses, charges, financial highlights, investment objectives, risks and performance information. Investors should consider the Fund's investment objectives, risks, charges and expenses before investing or sending money. The prospectus contains this and other information about the investment company. Please read the prospectus carefully before investing. Vantagepoint Funds are distributed by ICMA-RC Services LLC, a wholly owned broker-dealer subsidiary of ICMA-RC, member NASD/SIPC. For a current prospectus, contact ICMA-RC Services LLC, 777 North Capitol Street NE, Washington, DC 20002-4240. 1-800-669-7400.

Some of the products and services offered by ICMA-RC, and described within this publication, may not necessarily be offered by your employer.



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