



Deferred Compensation — NJSEDCP

Information for:
State of New Jersey Employees

OVERVIEW

The New Jersey State Employees Deferred Compensation Plan (NJSEDCP) provides you, as an eligible State employee, an opportunity to voluntarily shelter a portion of your wages from federal income taxes while saving for retirement to supplement your Social Security and pension benefits. Under the Plan, federal income tax is not due on deferred amounts or accumulated earnings until you receive a distribution (payment) from your account. Presumably, distribution is at retirement when your tax rate is expected to be lower. Alternatively, you may choose to save on a Roth after-tax basis, where your contributions are withheld from your take-home pay instead of your gross salary and qualified distributions are free from federal taxes (provided you have separated from service, are age 59 ½ or older and made your first Roth contribution in the year that is five years prior).

PLAN ADMINISTRATION

The NJSEDCP, governed by the guidelines of Internal Revenue Code (IRC) Section 457 and the laws of the State of New Jersey, is administered by Empower (formerly Prudential) for the State of New Jersey. Individual participant's accounts are maintained by the Administrator and statements of account are furnished quarterly. All Plan expenses are borne by the participants, and notification of administrative fees is provided at enrollment. The Deferred Compensation Board is the final authority on all matters concerning the operation of the Plan; by law, the State Investment Council has the right to supervise certain as-

pects of the Plan including the investment of assets.

ELIGIBILITY FOR ENROLLMENT

To enroll in the NJSEDCP, you must be employed by the State of New Jersey or an eligible agency, authority, commission, or instrumentality of State government.

If you are employed through a county, township, or municipality, and not paid directly by the State of New Jersey or one of its agencies, you are not eligible for the NJSEDCP.

How To Enroll

You can enroll by contacting Empower directly at 1-866-NJSEDCP (1-866-657-3327); a TDD line is also available at 1-800-345-1833. You can also enroll through Empower's website: <https://empower.com/njplans>

Upon enrollment, you agree that your deferrals and any earnings become and remain State property, with the understanding that all amounts due will be held in trust for you and your beneficiaries and will be paid to you following severance of employment. You may defer between one and 100 percent of your available salary after mandatory deductions (minus your tax-sheltered pension or other voluntary tax-sheltered contributions) with an annual dollar maximum in 2025 of \$23,500 (\$30,500 for individuals age 50 and older). You then choose how you want to invest among the 27 investment funds now offered through Empower.

MANAGING YOUR INVESTMENTS

As a participant in the NJSEDCP, you have the ability to make changes on your account such as increase, decrease, suspend, or resume deferral percentages. You may also change your investment elections to any of the 27 pre-approved products offered under Empower.

DISTRIBUTION OF YOUR MONEY FROM THE PLAN

Your NJSEDCP account may be distributed following severance of employment due to termination, retirement, or disability. Distribution is also permitted in the case of an unforeseeable financial hardship, as defined under IRC Section 457, following approval by the NJSEDCP Board. In-service distributions are permitted on rollover assets and smaller, inactive accounts.

If your account balance is less than \$5,000 at the time of distribution as a result of severance of employment, you must take a lump-sum payment.

If your account balance is \$5,000 or more, you may elect:

1. A one-time lump-sum payment;
2. A portion of your account in a specific dollar amount; or
3. Periodic installment payments.

Upon severance of employment, you may begin your account distribution as soon as administratively feasible, you may elect a future distribution date, or you may do nothing. However, you must begin receiving distribution no later than April 1 of the year following your attainment of age 70 ½ (if born before July 1, 1949), age 72 (if born July 1, 1949, to December 31, 1950), age 73 (if born January 1, 1951, to December 31, 1959), or age 75 (if born after January 1, 1960), or the year of employment termination, whichever is later. For daily valued funds, your account will be valued at the close of the day prior to your distribution date. A *Separation from Employment Withdrawal* form must be completed and returned to the Plan office. Members can access rollover assets while actively employed and may also use NJSEDCP funds (pre-tax only) to purchase pension service credit. In addition, in-service distributions are permitted on smaller, inactive accounts (less than \$5,000 balance and no contributions during the previous two years).

Tax Consequences

The NJSEDCP is an eligible deferred compensation plan under IRC Section 457. Distributions from the Plan may be eligible for rollover; however, they do not qualify for special five-year or 10-year averaging. Distributions are defined as pension payments and are subject to federal income tax, unless rolled over to another retirement plan.

If You Die Before Distribution Is Complete

At the time of your death, your executor, beneficiary, or a family member should contact Empower at 1-866-NJSEDCP. Your beneficiary will be notified of the options for account distribution. Beneficiaries have the same distribution options available to members who terminate employment; however, the maximum period for periodic installment payments to non-spousal beneficiaries cannot exceed five years. Non-spousal beneficiaries must also withdraw all as-

sets at the end of the ten-year period following your death, per IRS rules. Beneficiaries receiving distributions are subject to the same tax consequences as the original member.

QUESTIONS

Contact Empower or the NJSEDCP through the New Jersey Division of Pensions & Benefits in writing or call 1-866-NJSEDCP. The NJSEDCP office can answer your questions about the Plan and your account, and can provide any necessary forms.

Additional information on account and investment options is also available from Empower at: <https://empower.com/njplans>

This fact sheet has been produced and distributed by:

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