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**A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS**

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# New Jersey State Employees Deferred Compensation Plan

State of New Jersey Employees

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## DEFERRED COMPENSATION

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.

## PLAN ADMINISTRATION

The NJSEDCP, governed by the guidelines of Internal Revenue Code Section 457 and the laws of the State of New Jersey, is administered by Prudential Financial 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 and by law, the State Investment Council has the right to supervise certain aspects 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 obtain an enrollment package from your Human Resource or Personnel Representative or enroll by contacting Prudential Retirements directly at 1-866-NJSEDCP (1-866-657-3327 — a TDD line is also available at: 1-877-760-5166) or over the Internet at: [www.prudential.com/njsehcp](http://www.prudential.com/njsehcp)

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 1% and 100% of your salary (minus your tax-sheltered pension or other voluntary tax-sheltered contributions) with an annual dollar maximum in 2010 of \$16,500 (\$22,000 for individuals age 50 and older). You then choose how you want to invest among the 23 investment funds now offered through Prudential Financial.

## 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 23 pre-approved products offered under Prudential. Participants with balances remaining in the 4 closed State-managed investment funds (Bond, Equity, Money Market, and Small Cap Equity) may transfer all or a portion of those investment balances between the 4 funds on a monthly basis. You may also exchange amounts accumulated in your Prudential-managed funds to any of the 23 funds on a daily basis. You may not transfer balances in the Prudential-managed investments to the State-managed funds.

As of March 31, 2006, the State-managed investments, which was previously valued on a monthly

basis, began to be valued daily. You are allowed to continue the transfer between the 4 State-managed funds on a daily basis or request daily transfers of all, or any portion, of your balances to any of the Prudential funds. However, you may not transfer holdings in the Prudential-managed funds to the State-managed funds.

### DISTRIBUTION OF YOUR MONEY FROM THE PLAN

Your Deferred Compensation Plan 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 Section 457 of the Internal Revenue Code, following approval by the Deferred Compensation Board. In-service distributions are permitted on 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 March of the year following your attainment of age 70 1/2, 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. For monthly valued funds, your account will be valued at the close of the month prior to your election for payment. A

*Distribution Request* form must be completed and returned to the Plan office.

### TAX CONSEQUENCES

The New Jersey State Employees Deferred Compensation Plan is an eligible state deferred compensation plan under Section 457 of the Internal Revenue Code. Distributions from the Plan may be eligible for rollover, however, distributions do not qualify for special 5-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 Prudential at 1-866-NJSEDCP. Your beneficiary will be notified of the options for account distribution. Your beneficiary will 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. Beneficiaries receiving distributions are subject to the same tax consequences as the original member.

### QUESTIONS

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

Additional information on account and investment options is also available from Prudential Financial at: [www.prudential.com/njsedcp](http://www.prudential.com/njsedcp)

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This fact sheet has been produced and distributed by:  
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