

NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN

AUTHORITY: Unless otherwise expressly noted, all provisions of this Plan were adopted by the New Jersey State Employees Deferred Compensation Board pursuant to authority delegated at N.J.S.A. 52:18A-163 et seq.

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ARTICLE 1: ESTABLISHMENT AND PURPOSE OF THE PLAN

1.1 Establishment of Plan

This Plan shall be known as the “New Jersey State Employees Deferred Compensation Plan” (hereinafter referred to as the “Plan”) and was created in accordance with P.L. 1978, c. 39. (N.J.S.A. 52:18A-162 et seq.) The Plan became effective on June 19, 1978. The New Jersey State Employees Deferred Compensation Board (hereinafter referred to as the “Board”) was empowered to adopt a written plan consistent with the requirements of the United States Internal Revenue Code (“Code”), including without limitation Code Section 457(b).

The Plan as amended and restated herein describes the terms and conditions of the Plan effective on and after January 1, 2002, except as otherwise noted.

1.2 Purpose of Plan

The purpose of this Plan is to provide an optional benefit to Employees whereby a designated amount of the Participant’s Includible Compensation is withheld each eligible Pay Period by the State of New Jersey or other Participating Employer from current federal income tax liability, credited to an Account under the Plan for the Participant, and invested in one or more Investment Funds as provided for herein, until one of the specified events occurs which permits all or part of the Account to be distributed to the Participant or his/her Beneficiary.

ARTICLE 2: DEFINITIONS

2.1 Definitions

These words and terms, when used in this Chapter, shall have the following meanings unless the context clearly indicates otherwise.

“Account” -- the bookkeeping account maintained for each Participant that reflects the cumulative amount of the Participant’s Deferred Compensation (and any transfers or rollovers (see Article 6)), as adjusted from time to time as described in the first paragraph of Section 5.1. If a transfer under Section 6.2 or a rollover under Section 6.3 is credited to the Participant under this Plan, the Plan Administrator may direct that there be maintained a separate subaccount or subaccounts with regard to such transfer or rollover amounts as adjusted from time to time for investment gain or loss, such subaccounts’ share of Plan administrative expenses, and any distributions.

“Automatic Distribution Date” -- the latest date as of which the Participant’s Account may begin to be distributed under Code Section 401(c)(9). For a Participant, this date is April 1 of the calendar year after the Plan Year in which the Participant attains age 70 1/12 or, if later, retires or has a Termination of Service with the Participating Employer.

“Beneficiary” -- the person, persons or legal entity provided for by the Participant to receive any undistributed portion of his/her Account that becomes payable in the event of the Participant’s death.

“Benefit Commencement Date” -- means the date selected by the Participant under Section 5.4, or by the Beneficiary under Section 5.6; or the date designated by the Plan Administrator under Section 5.4 by reason of the Participant’s failure to make such an election.

“Board” -- the New Jersey State Employees Deferred Compensation Board.

“Catch-up Dollar Limitation” -- prior to January 1, 2002, the Catch-up Dollar Limitation is \$15,000. On and after January 1, 2002, the Catch-up Dollar Contribution means twice the Dollar Limitation.

“Code” -- the Internal Revenue Code of 1986, as now in effect or as hereinafter amended. All citations to the Code are to such Sections as they may from time to time be amended or renumbered.

“Compensation” -- the salary, wages, fees, commissions, bonuses and overtime pay which is paid to an Employee for employment rendered to the Participating Employer from date of enrollment in the Plan.

“Council” -- the State Investment Council.

“Deferred Compensation” -- that portion of the Participant’s Includible Compensation that the Participant and Participating Employer mutually agree to defer by means of acceptance of the Participant’s Enrollment Agreement, until such Enrollment Agreement is

rescinded or amended, or until the conditions for distribution set forth in Article 5 of this Plan are met.

“Disability” -- a total and permanent disability determined pursuant to the statutes and regulations of the retirement system of which the Participant is a member or, if the Participant is not a member of any such retirement system, the Plan Administrator shall make such determination based upon the requirements established for disability in the retirement system in which the Participant would otherwise be required to enroll.

“Division of Investment” -- the State Division of Investment.

“Dollar Limitation” -- the applicable dollar amount within the meaning of Code Section 457(b)(2)(A) and 457(e)(15)(A), as adjusted for the cost-of-living in accordance with Code Section 457(e)(15)(B).

“Eligible Retirement Plan” -- an individual retirement account described in Code Section 408(a), an individual retirement annuity described in Code Section 408(b), an annuity plan described in Code Sections 403(a) or 403(b), a qualified trust described in Code Section 401(a), or an eligible deferred compensation plan described in Code Section 457(b) which is maintained by an eligible governmental employer described in Code Section 457(e)(1)(A).

“Eligible Rollover Distribution” -- any distribution of all or any portion of the balance to the credit of a Distributee (see Section 6.4), except that an Eligible Rollover Distribution does not include: any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee’s designated beneficiary, or for a specified period of ten years or more; any distribution to the extent such distribution is required under Code Sections 401(a)(9) and 457(d)(2); and any distribution made upon the hardship of the Distributee. For purposes of distributions from other Eligible Retirement Plans rolled over into this Plan, the term Eligible Rollover Distribution shall not include the portion of any distribution that is not includible in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

“Employee” -- any temporary or permanent common law employee who is on the payroll of a Participating Employer. For purposes of determining eligibility under the Plan, the classification (e.g., common law employee, independent contractor, leased employee) to which an individual is assigned by a Participating Employer shall be final and conclusive, regardless of whether a court, governmental agency or any entity subsequently finds that such individual should have been assigned to a different classification.

“Enrollment Agreement” -- an agreement signed by an Employee in such form as may be provided by the Plan Administrator to become a Participant in the Plan. Information required by the Enrollment Agreement may be provided by means of a written form, or electronically or telephonically, if and to the extent so approved by the Plan Administrator.

“Includible Compensation” -- The term “Includible Compensation” has the meaning given to the term “participant’s compensation” by Code Section 415(c)(3). In general,

the term “participant’s compensation” means the Compensation of the Participant from the Participating Employer for the year (or Pay Period, as the context requires). “Participant’s compensation” shall include any elective deferral (as defined in Code Section 402(g)(3)) or any other amount which is deferred by the Participating Employer at the election of the Participant and which is not includible in the gross income of the Participant by reason of a compensation reduction election under Code Section 125, 132(f)(4), 401(k), 403(b) or 457(b). “Includible Compensation” shall not include (a) a Participating Employer’s pick up of Participant contributions to an employees’ trust under Code Section 414(h) or (b) amounts treated as “accrued 125 compensation” because of the Participating Employer’s requirement that its employees participate in an employer-sponsored health insurance program unless the Participant states that he/she is provided health coverage elsewhere.

“Investment Fund” -- an investment option offered to Participants in the Plan, as determined by the Board and as authorized or approved by the regulations of the State Investment Council. Investment Funds shall include the New Jersey State Employees Deferred Compensation Equity Fund, the New Jersey State Employees Deferred Compensation Small Capitalization Equity Fund, the New Jersey State Employees Deferred Compensation Fixed Income Fund and the New Jersey State Employees Deferred Compensation Cash Management Fund (collectively, the “Common Funds”) and additional funds selected by the Director of the Division of Investment in consultation with the Board (the “Outside Funds”).

“Normal Retirement Age” -- with respect to each Participant, is the age elected by the Participant which may not be earlier than the earliest date at which the Participant has the right to retire without the consent of the Participating Employer and to immediately receive unreduced retirement benefits under the Participating Employer’s basic retirement plan and which may not be later than the later of the date that the Participant attains age 70 1/2, or the date of the Participant’s actual Retirement or Termination of Service with the Participating Employer.

“Participant” -- any Employee who fulfills the eligibility and enrollment requirements for participation in the Plan as set forth in Article 3 of this Plan. An Employee who becomes a Participant shall remain a Participant for so long as he/she is on an authorized leave of absence and so long as his/her Enrollment Agreement remains in effect for such time.

“Participating Employer” -- the State of New Jersey and, subject to the independent approval of the State Treasurer and the Board, the University of Medicine and Dentistry of New Jersey, the New Jersey Institute of Technology, Rutgers, the State University, and any other agency, authority, commission or instrumentality of the State of New Jersey which has an independent corporate existence.

“Pay Period” -- the pay period applicable to each Participant, as determined by the Participating Employer.

“Plan” -- The New Jersey State Employees Deferred Compensation Plan, as it may be amended from time to time.

“Plan Administrator” -- the Division of Pensions and Benefits in the Department of the Treasury of the State of New Jersey, either solely or in conjunction with one or more

private organizations which contract with the Board for the performance of administrative duties. The Plan Administrator is the final authority on all matters concerning the operation and administration of the Plan, except as to those duties and responsibilities concerning the investment of Plan assets which are supervised by the Division of Investment.

“Qualified Uniformed Service” -- any service (whether voluntary or involuntary) by an individual in the Uniformed Services if such individual is entitled to reemployment rights under USERRA with a Participating Employer with respect to such service. For purposes of the foregoing, the “Uniformed Services” mean the Armed Forces, the Army National Guard and Air National Guard (when engaged in active duty for training, inactive duty training, or full-time National Guard duty), the commissioned corps of the Public Health Service, and any other category of persons designated by the President of the United States in time of war or emergency.

“Retirement” -- a severance of the Participant’s employment relationship with the Participating Employer for any reason, other than death, which renders the Participant eligible to file for and receive benefits from a State-administered retirement system. For purposes of these rules, a disability or deferred retirement becomes a Retirement, within the meaning of this Plan, when the person severs the employment relationship with his/her Participating Employer.

“Returning Veteran” -- an individual who returns to employment with a Participating Employer from Qualified Uniformed Service within the period of time during which his/her reemployment rights are protected by law.

“State” -- the State of New Jersey.

“Termination of Service” -- the severance of the Participant’s employment relationship with a Participating Employer (within the meaning of Code Section 457(d)(1)(A)(ii)) prior to his/her retirement or death.

“Treasury Regulations” -- the temporary and final regulations published by the Department of Treasury under the Code.

“Trust” -- the trust, custodial account or annuity contract under which the Plan’s assets must be held consistent with Code Section 457(g). Pursuant to that Code Section, the Plan’s assets must be held in:

- (a) A trust described in Code Section 457(g)(1) that is established under the applicable laws of the State;
- (b) A trust described in Code Section 457(g)(1) that is established with the Trustee/Custodian as the trustee of the Trust; and/or
- (c) A custodial account or annuity contract described in Code Section 457(g)(3).

“Trustee/Custodian” -- one or more banks, trust companies or insurance companies with which the State Treasurer has contracted to hold and invest designated assets or

classes of assets contributed with respect to the Plan, and to provide administrative and recordkeeping services with respect thereto and to Participants and Beneficiaries in the Plan.

“USERRA” -- the Uniformed Services Employment and Reemployment Rights Act of 1994 contained in Chapter 43 of Title 38 of the United States Code.

“Valuation Date” -- means, for Common Funds, the last business day of each month (or on each day that the primary securities exchanges in the United States are open for business, if so determined by the Director of the Division of Investment), and, for Outside Funds, each day that the primary securities exchanges in the United States are open for business.

ARTICLE 3: PARTICIPATION IN THE PLAN

3.1 Eligibility

Each Employee on the payroll of a Participating Employer is eligible to participate in the Plan. Notwithstanding the foregoing, a Participating Employer may exclude from eligibility under this plan Employees which it classifies as temporary or seasonal.

3.2 Enrollment

Any Employee eligible to participate in the Plan may become a Participant by entering into an Enrollment Agreement. The Enrollment Agreement must be filed prior to the beginning of the calendar month in which the deferral of compensation is to commence, or such other date as may be permitted under the Code. Such deferral of compensation must be in accordance with the provisions of Sections 3.3 and 3.4 herein. The deferral election will be implemented effective as of the first full Pay Period in the calendar month commencing after the date the Employee-completed Enrollment Agreement is executed and filed with the Plan Administrator, or as soon thereafter as administratively practicable. No amounts shall be deferred with respect to an Employee's Compensation unless and until a completed Enrollment Agreement, including the amount to be deferred and investment instructions, is filed with the Plan Administrator.

3.3 Minimum Deferral

Each Employee who becomes a Participant in the Plan must agree in writing to defer a minimum of one percent of Includible Compensation paid to him/her during each eligible Pay Period. Requested deferrals in excess of the one percent minimum percentage must be made as full percentages in multiples of one percent.

3.4 Maximum Deferral

(a) Normal Limitation -- Except as provided in subsections (b) and (c) of this section, the total amount of Compensation that can be deferred for any calendar year under this Plan shall be the lesser of: (1) 100% of the Participant's Includible Compensation for the taxable year OR (2) the Dollar Limitation. Amounts deferred under any other Code Section 457(b) plans must be coordinated for the annual maximum deferral. For the year of enrollment only Includible Compensation paid from the date of enrollment to the end of the calendar year shall be included.

(b) Last Three Years Catch-up Contributions -- For one or more of the last three (3) taxable years of a Participant ending before his/her attainment of Normal Retirement Age, the maximum amount of Deferred Compensation shall be the lesser of:

- (1) the Catch-up Dollar Limitation, or
- (2) the sum of

- (i) the Normal Limitation (as described in Section 3.4(a)) for the taxable year, and
- (ii) the Normal Limitation for each prior taxable year of the Participant commencing on or after January 1, 1979 less the amount of the Participant's Deferred Compensation for such prior taxable years.

With respect to taxable years beginning on or before December 31, 2001, each such taxable year's Normal Limitation described in subsection (ii) above shall be reduced pursuant to the provisions of Code Section 457(c) applicable to such taxable year.

For purposes of this subsection (b), a "prior taxable year" shall be taken into account under the preceding sentence only if the Participant was eligible to participate in the Plan for such year (or in any other eligible deferred compensation plan established under Code Section 457(b) which is properly taken into account pursuant to Treasury Regulations under Code Section 457), and compensation (if any) deferred under the Plan (or such other plan) was subject to the Normal Limitation. Notwithstanding the foregoing, in the case of a Participant who has been rehired by a Participating Employer following a Termination of Service, "prior taxable year" shall not include any years prior to such Termination of Service.

This Section 3.4(b) shall not apply in any taxable year in which the contribution amount permitted by Section 3.4(c) exceeds the contribution amount permitted by this Section 3.4(b).

The following table describes, as of January 1, 2006, the earliest combination of age and service under the several retirement systems covering employees of Participating Employers, representing the earliest "Normal Retirement Age" that a Participant may elect for purpose of fixing the period for making catch-up contributions under this subsection (b). A Participant's election of a Normal Retirement Age under this subsection (b) shall be irreversible once deferrals have been made utilizing the catch-up provisions of this subsection (b). The Participant Normal Retirement Age does not control his/her Benefit Commencement Date.

<u>EARLIEST DATE FOR NORMAL RETIREMENT AGE ELECTION FOR PURPOSES OF LAST-THREE-YEARS CATCH-UP ELECTION</u> (January 1, 2006)		
NJ Retirement System	Minimum Age	Minimum Service Credit
Teachers' Pension and Annuity Fund	52 years of age 57 years of age	with at least 22 years of service, or with any number of years of service
Public Employees' Retirement System	52 years of age 57 years of age	with at least 22 years of service, or with any number of years of service
Police and Firemen's Retirement System	Any age 52 years of age	with at least 22 years of service, or with any number of years of service

State Police Retirement System	Any age 52 years of age	with at least 22 years of service, or with any number of years of service
Judicial Retirement System	57 years of age	with any number of years of service
Alternate Benefits Program	3 years prior to separation from service at any age	
<i>No retirement plan affiliation</i>	62 years of age	
<i>Other retirement plans</i>	As determined by the Plan Administrator based on the provisions of the retirement plan	

(c) Catch-up Contributions for Participants Age 50 and Over -- A Participant who will attain the age of 50 before the close of the taxable year, and with respect to whom no other elective deferrals may be made to the Plan for the Plan Year by reason of the Normal Limitation of Subsection 3.4(a), may enter into an Enrollment Agreement to make elective deferrals in addition to those permitted by the Normal Limitation in an amount not to exceed the lesser of (1) the applicable dollar amount as defined in Code Section 414(v)(2)(B), as adjusted for the cost-of-living in accordance with Code Section 414(v)(2)(C), or (2) the excess (if any) of (i) the Participant's compensation (as defined in Code Section 415(c)(3)) for the year, over (ii) any other elective deferrals of the Participant for such year which are made without regard to this Section 3.4(c). An additional contribution made pursuant to this Section 3.4(c) shall not, with respect to the year in which the contribution is made, be subject to any otherwise applicable limitation contained in Code Section 457(e)(15), or be taken into account in applying such limitation to other contributions or benefits under the Plan or any other plan. Notwithstanding the foregoing, for purposes of applying the limitations set forth in Code Section 414(v)(2), all plans maintained by the Participating Employer that are described in Code Section 414(v)(6)(A)(iii) shall be treated as a single plan. This Section 3.4(c) shall not apply in any taxable year in which the contribution amount permitted by Section 3.4(b) exceeds the contribution amount permitted by this Section 3.4(c).

(d) Distribution of Excess Deferral Amounts -- Notwithstanding any provision of the Plan to the contrary, the Plan shall distribute any Deferred Compensation in excess of the applicable limit described in this Section 3.4 in a manner consistent with Code Section 457(b) and any Treasury Regulations or other authority promulgated thereunder.

3.5 Modifications to Amount Deferred

A Participant may amend an Enrollment Agreement to change the percentage amount of Includible Compensation not yet earned which is to be deferred. Such amended Enrollment Agreement will become effective as of the first full Pay Period in the calendar month commencing after the date the amended Enrollment Agreement is executed and filed with the Plan Administrator (or as soon thereafter as administratively practicable).

3.6 Voluntary Suspension of Deferral

(a) A Participant may elect to suspend his/her deferral of compensation at any time by filing a form for this purpose with the Plan Administrator. Unless otherwise authorized by the Participant, such suspension will be implemented effective as of the first full Pay Period in the calendar month commencing after the date the Participant's suspension election is so filed, or as soon thereafter as administratively practicable.

(b) A Participant may elect to resume his/her deferral of compensation in accordance with Section 3.2 by filing a new Enrollment Agreement with the Plan Administrator. Unless otherwise authorized by the Participant, deferrals will commence with the first full Pay Period in the calendar month commencing after the date the new Enrollment Agreement is executed and filed with the Plan Administrator (or as soon thereafter as administratively practicable).

3.7 Duration of Election to Defer Compensation

Once an Enrollment Agreement containing an election to have Includible Compensation deferred has been made by the Participant, the election shall continue in effect until the Participant's Termination of Service, Retirement or death unless, prior to such event, the Participant has modified his/her Enrollment Agreement in accordance with Section 3.5 herein or voluntarily elected to suspend his/her deferral in accordance with Section 3.6 herein.

3.8 Compensation Deferral and Other Salary Deductions

For each Employee who enrolls under Section 3.2, 3.5 or 3.6(b) herein and who becomes a Participant, the Participating Employer shall reduce the Participant's gross Compensation, on a Pay Period by Pay Period basis, by the Deferred Compensation amount indicated on the Participant's Enrollment Agreement. Deductions from a Participant's gross Compensation for state and social security taxes, pension contributions and other mandatory or elective deductions shall be made before the Participant's Deferred Compensation is deducted. Any amount of the Participant's Compensation that is deferred under the Plan shall continue to be included for all purposes, including state taxation, social security and pension benefits earned by any such Participant, but any Compensation deferred shall not be included in the computation of any federal income taxes withheld from the Participant's Compensation on behalf of such Participant.

Notwithstanding any provision of the Plan to the contrary, the amount excludible from a Participant's gross income under this Plan or any other eligible deferred compensation plan under Code Section 457(b) shall not exceed the limits set forth in Code Sections 457(b) and 414(v). Prior to January 1, 2002, the limits under Code Section 457(b) described in the first sentence of this Section 3.8 shall be further reduced by any amount excluded from gross income under Code Sections 401(k), 402(e)(3), 402(h)(1)(B), and 403(b), or any amount with respect to which a deduction is allowable by reason of a contribution to an organization described in Code Section 501(c)(18).

3.9 Transfer of Deferrals to Trust

Deferrals made at the Participant's election under the Plan shall be transferred to the Trustee/Custodian and placed in Trust within a period of time following the Pay Period to which the Participant's deferral election relates that is not longer than is reasonable for the proper administration of the Participant's Account. For this purpose, deferrals shall be treated as transferred within the meaning of the foregoing sentence if the transfer is made to the Trust within 15 business days following the end of the calendar month in which falls the pay date of the Pay Period to which the deferral relates.

3.10 Duration of Participation

An Employee shall continue his/her participation in the Plan until such time as he/she is no longer deferring a portion of his/her Compensation, including a voluntary suspension in accordance with Section 3.6 herein, and all balances credited to his/her Account have been paid or otherwise distributed.

3.11 Beneficiary Election

A Participant may choose his/her Beneficiary in the event he/she should die prior to receiving the full amount of his/her Account, by filing a Beneficiary Designation form. The election of a Beneficiary may be made upon enrollment into the Plan. The Participant may change the Beneficiary election at any time provided the proper Beneficiary Designation form for this purpose is filed with the Plan Administrator. A new Beneficiary Designation form will supersede all others on file with the Plan Administrator. If no Beneficiary is designated, or if the designated Beneficiary predeceases the Participant, then the estate of the Participant shall be the beneficiary. In the event the Participant names two or more Beneficiaries, each Beneficiary shall be entitled to equal shares (per capita) of the Account payable at the Participant's death, unless otherwise provided by the Participant.

3.12 USERRA

This Plan shall be administered to satisfy the applicable requirements of USERRA in accordance with the provisions of Code § 414(u). With respect to a Returning Veteran, the rules of the Plan shall be modified as follows:

(a) A Returning Veteran who was an eligible Employee immediately prior to his/her Qualified Uniformed Service shall be deemed to remain an eligible Employee throughout his/her Qualified Uniformed Service.

(b) Each Returning Veteran who, during his/her period of Qualified Uniformed Service, would have been eligible to make an election to authorize his/her Participating Employer to make contributions of his/her Deferred Compensation to this Plan, shall be permitted to contribute an amount equal to the Deferred Compensation that he/she could have made during such absence from employment. Such "make-up contributions" shall be made during the period that begins with his/her reemployment by the Participating Employer and ends with (1) the expiration of a period of five years, or (2) if shorter, a period of three times the period of Qualified Uniformed Service. Any make-up contributions described in this Subsection

(b) shall be in addition to those elective deferrals of Deferred Compensation that the Participant may elect to make for the calendar year pursuant to Section 3.2.

(c) For purposes of determining the amount of any make-up contributions under Subsection (b) above and for applying the maximum deductible contribution limits applicable to a Code Section 457(b) plan, a Participant's Includible Compensation during any period of Qualified Uniformed Service shall be deemed to equal either:

(1) the Includible Compensation he would have received but for such Qualified Uniformed Service, based on the rate of pay he would have received from a Participating Employer; or

(2) if the amount described in (1) above is not reasonably certain, his average Includible Compensation from the Participating Employer during the 12-month period immediately preceding the Qualified Uniformed Service (or, if shorter, the period of employment immediately preceding the Qualified Uniformed Service). Such amount shall be adjusted as necessary to reflect the length of the Participant's Qualified Uniformed Service.

(d) For purposes of applying the maximum deductible contribution limits applicable to a Code Section 457(b) plan, contributions described in Subsection (b) shall be treated as contributions for the calendar year to which they relate, rather than the calendar year in which they are actually made.

(e) The Plan Administrator shall establish such rules and procedures as it deems necessary or desirable to implement the provisions of this Section, provided that they are not in violation of USERRA, any regulations thereunder, or any other applicable law.

ARTICLE 4: GENERAL ADMINISTRATION

4.1 Records

The minutes of the Board's meetings are public records and may be inspected during regular business hours at the Office of the Division of Pensions and Benefits under the supervision of a representative of the Division of Pensions and Benefits.

Records considered confidential include specific individual Account or investment changes, mailing addresses of active and retired Participants and individual files relating to Beneficiary designation.

4.2 Non-assignability

This Plan and any contract entered into between the Participating Employer and a Participant and the benefits, procedures or payments thereunder are non-assignable and non-transferable and shall not be sold, assigned, pledged, commuted, transferred or otherwise conveyed by an Employee, Participant or Beneficiary. Any attempt to so assign or transfer shall not be deemed to constitute a revocation by such Participant pursuant to Section 3.6 herein.

Except as otherwise required by law, any Deferred Compensation paid pursuant to this Plan shall not be subject to attachment, garnishment or execution or to transfer by operation of law in the event of bankruptcy or insolvency.

The Plan may not provide for the payment of amounts under the Plan other than amounts deferred under the Plan and any moneys earned thereon. The Plan may allow for the portability of appropriate amounts of deferred compensation from similar plans maintained by other employers (See Article 6 of this Plan concerning Transfers and Rollovers).

4.3 Amendment of the Plan

The Board shall have the authority, by the vote of a majority of its members, to amend this Plan from time to time, including without limitation to accommodate changes in the Code, Treasury Regulations, Federal statutes, or State laws or rules. No amendments or modification shall affect the rights of Participants or their Beneficiaries to the receipt of compensation deferred prior to such amendment or modification.

4.4 Termination of the Plan

The Board, in accordance with the provisions of P.L. 1978, c. 39, shall have the authority, by the vote of a majority of its members, to terminate this Plan consistent with the requirements of the Code. Notice of such termination shall be provided to the Trustee/Custodian(s). The assets of the Plan will be distributed pursuant to relevant provisions of the Plan and of the contractual agreements with the Trustee/Custodian(s), provided however, that upon termination of the Plan, the Board may elect that each Account shall be distributed in a single sum as soon as administratively practicable without respect to any other benefit, right or feature of the Plan. Notwithstanding the foregoing, any such distributions shall comply with the

requirements of the Code, any applicable Treasury Regulations thereunder, and the laws of the State of New Jersey.

Upon termination, each Participant shall be deemed to have withdrawn from the Plan as of the date of such termination; the Participant's full Compensation on a non-deferred basis will be restored; and the Plan Administrator shall treat such Participants as if they had a Termination of Service on the date of such termination.

4.5 Applicable Law

This Plan shall be construed, administered and governed in all respects under and by the laws of the State of New Jersey and consistent with applicable Sections of the Code and the regulations and interpretations of the Internal Revenue Service. The Board shall have authority to make any changes in this Plan necessary to conform its terms with the requirements of the federal law and the Internal Revenue Service.

4.6 Responsibility for Administration and Investment

This Plan shall be administered by the Plan Administrator.

The Division of Investment shall serve as the named fiduciary for the investment of funds under the Plan, subject to certain supervision by the State Investment Council as described below and shall be responsible for all functions related to the management of those investments including, but not limited to, the voting of any shares held pursuant to the provisions of Article 5 of this Plan.

Subject to the prior approval of the Board, the Division of Pensions and Benefits may contract with one or more private parties ("agent" or "agents"), including without limitation the Trustee/Custodian(s), to perform some or all of the administrative functions prescribed by the Plan.

Subject to the prior approval of the State Investment Council and the Board, the State Treasurer may contract with one or more private parties ("agent" or "agents"), including without limitation the Trustee/Custodian(s), for the holding and investment of some or all amounts contributed to the Plan in accordance with the Investment Funds specified in Article 5 of this Plan and any accounting and administrative functions related thereto.

Any contract authorized by this Section shall be conducted in accordance with applicable procurement bidding requirements for awarding State contracts.

4.7 Authority of the Administrator and the Division of Investment

The Plan Administrator and, with regard to investment matters, the Division of Investment and the State Investment Council shall have the full power and authority to promulgate, adopt, amend or revoke such rules and regulations concerning their respective functions as are consistent with this Plan and which are necessary to implement and maintain this Plan.

The Plan Administrator, the State Investment Council, the Division of Investment or their agents shall have the authority to require such supportive information, documents or evidence as they deem necessary to carry out their responsibilities under this Plan.

The Board may rule on any matter involving the construction of the Plan and the interpretation of its terms and may exercise such authority in cases involving prior rulings or interpretations by any agent, representative or designee of the Board, acting pursuant to authority delegated by the terms of this Plan or by the Board. Any Board decision or any such matter shall be final and binding upon the terms of all parties.

4.8 Certain Duties of the Administrator

Whenever a deferral of a Participant's Includible Compensation becomes effective, the Participant shall receive from the Plan Administrator a confirmation stating the amount of the deferral. This amount shall not be included as a part of his/her compensation for federal income tax purposes.

Information describing this Plan and the available Investment Funds shall be prepared by the Plan Administrator or by its agent, subject to the approval of the Board. Such information shall be provided to newly eligible Employees, and to other eligible Employees and Participants from time to time as determined by the Plan Administrator, and shall be available to Participants or eligible Employees upon request.

If a Participant claims a Disability and is not a member of a retirement system, the Plan Administrator or its agent shall provide for a disability determination based on the requirements established for the retirement system in which the Participant would otherwise be required to participate.

4.9 Administrative and Investment Costs

It is the intent of this Plan that it shall not be implemented or administered so as to be an expense to the State of New Jersey other than for the State's obligation to pay the Deferred Compensation as provided hereunder.

All expenses associated with this Plan, including but not limited to, administrative and investment costs, shall be charged against the Plan's Participants, to the extent and in the manner as determined by the Board. Within this regard, the Participating Employers, the Plan Administrator and the Division of Investment shall report their respective costs so that the Board can enumerate these costs together with the Board's own costs. Included in such costs shall be the costs of:

- (a) making investments, if any;
- (b) collecting the Deferred Compensation; and
- (c) providing information to Participants, Employees and State agencies.

4.10 Participants' Financial Statements

Accounts will be maintained by the Trustee/Custodian(s) at the direction of the Plan Administrator for each Participant in the Plan. Each Participant shall receive periodic reports, not less frequently than quarterly, showing the then current value of his/her Account.

Investment Funds will be audited annually by independent accountants. An Annual Report of the Plan will be available to all Participants from the Plan Administrator.

ARTICLE 5: PARTICIPANT'S ACCOUNT, INVESTMENTS AND DISTRIBUTIONS

5.1 Establishment of Account; Valuation of Accounts

The Plan Administrator shall establish an Account for each Participant that shall be credited as of the date that the Participants' Includible Compensation is deferred. Each Participant's Account shall be adjusted from time to time for (a) any income, gains, losses, or increases or decreases in market value attributable to the Plan's investment of the Participant's Deferred Compensation (and any transferred or rolled-over amounts (see Article 6) credited to the Participant's Account), (b) the Account's share of Plan administration expenses (c) any transfer or rollovers to and from the Account and (d) any distribution made to the Participant or the Participant's Beneficiary.

As of each Valuation Date, a Participant's Account shall be valued by adjusting the value of the Account to reflect the fair market value of the investment option(s) credited to the Participant's Account. Each Participant's gains and losses shall only be allocated to him or her and shall not be allocated to the Account of any other Participant.

A Participant's Account shall reflect the amount and value of the investments or other property obtained by the Plan through the investment of the Participant's Account pursuant to Section 5.3. It is anticipated that the Plan's investments with respect to a Participant will conform to the investment preference specified in the Participant's Enrollment Agreement, but nothing herein shall be construed to require the Plan to make any particular investment of a Participant's Accounts.

5.2 Assets Held In Trust

The assets of the Plan, whether in cash or investments (including life insurance policies and annuity contracts), shall at all times be held in Trust for the exclusive benefit of the Plan's Participants and their Beneficiaries, except that expenses and taxes may be paid from the Trust. A Participant and his/her Beneficiary shall not have any property interest whatsoever in any specific Trust asset because of his/her election to defer any Compensation under this Plan.

The State is only under a contractual obligation to make payments under the Plan in accordance with the provisions of the Enrollment Agreement as payments become due. The State is not a guarantor of the Plan. The State and its instrumentalities, agents and employees, including but not limited to the Board, members of the Board, employees of the State of New Jersey Department of the Treasury (including Division Directors and employees of the Divisions), and the State Investment Council and its members, shall not be liable for any claims raised by an Employee by reason of participation in the Plan.

5.3 Investment Options

(a) Initial Investment Direction -- Upon enrollment in the Plan under the provisions of Section 3.2 herein, each Participant must designate, as part of the Enrollment Agreement or on such other form provided by the Plan Administrator for such purpose, the portion of his/her Account that will be invested in one or more Investment Funds. The

Participant's investment directions shall be in accordance with uniform and nondiscriminatory rules established by the Board, and shall not violate any investment restrictions established by the Division of Investment or the Plan Administrator. No amounts of Deferred Compensation will be credited to the Participant's Account unless and until a completed Enrollment Agreement with investment elections is filed with the Plan Administrator.

(b) Amendment of Investment Direction -- A Participant, including a Participant who has retired or terminated service and who is receiving installment payments or has deferred his/her payments from the Plan, may from time to time change his/her elections with respect to the Investment Funds in his/her Account. A Participant may make a new investment election with respect to future Deferred Compensation to be credited to his/her Account, or may change the investment allocation of his/her Account (a transfer among Investment Funds; see Section 6.1). To do so, he/she must file a revised Enrollment Agreement or other Change Request form authorized for this purpose with the Plan Administrator or its delegate. Investment changes may be made in written form or, if permitted by the Plan Administrator, may be made by means of telephonic or electronic communication with the Trustee/Custodian.

Changes in investment options or transfers among Investment Funds shall be implemented as soon as administratively practicable. The Plan Administrator may promulgate uniform rules with respect to the frequency with which Participants may change investment options, and the means by which said changes may be requested.

(c) Limitations on Investment Direction -- Each Participant may request that his/her Account be invested 100% in any of the available Investment Funds or in multiples of 1% thereof in any combination of those Investment Funds as long as the total equals 100%. A Participant must elect where his/her deferrals are to be invested. If a Participant fails to make an investment election or if the Participant's investment election does not equal 100% of his/her deferral request, the Participant's Enrollment Agreement will be rejected and returned to the Participant.

The Plan Administrator may, if it chooses, restrict a Participant's ability to invest in certain Investment Funds, or to prohibit or restrict transfers between certain Investment Funds, whether based on the underlying terms of the investment product or such other factors as the Plan Administrator may choose to take into account.

(d) Designation of Investment Funds -- In addition to the Common Funds, there shall be a minimum of five designated Outside Funds, which funds shall offer Participants a range of investment options with varying levels of risk and expected returns, and may include funds which invest primarily in domestic equity securities, international equity securities, domestic fixed income securities, and money market instruments. Notwithstanding anything in the Plan to the contrary, Investment Funds shall be limited to legal investments for fiduciaries of trust estates in the State.

The Plan Administrator shall communicate to new Participants making their initial Deferral Elections, and periodically to Participants generally, information to Participants describing the designated Investment Funds and their risk and reward characteristics,

any limitations on the amount that may be invested in a particular Fund or limitation on the transfer of amounts between or among certain Funds, and any asset-based fees or charges that may apply with respect to an Investment Fund. Such information may be provided by means of a then-current prospectus for an Investment Fund, if available.

The Board has the authority, after providing notice to the affected Participants, to eliminate the availability of any or all of the Investment Funds under the Plan and may direct the Division of Investment to invest funds affected by such action in any manner consistent with the provisions of the Plan.

(e) Liability for Investment Directions -- Neither the State of New Jersey, the Board, the Plan Administrator, the Trustee/Custodian, any Participating Employer, nor any other person shall be liable for any losses incurred by virtue of following such directions or (except as otherwise may be provided contractually with respect to a Trustee/Custodian) with any administrative delay in implementing such directions.

5.4 Mode of Distribution

(a) Commencement of Distributions -- Except as otherwise provided in this Article 5, the distribution of a Participant's Account shall commence no later than a Participant's Automatic Distribution Date, and the distribution of such benefits shall be made in accordance with one of the distribution options described in paragraph (b) below. Notwithstanding the foregoing, and except as otherwise provided in this Article 5, the Participant may elect following his/her Retirement or other Termination of Service to have the distribution of his/her Account commence on a fixed determinable date other than that described in the preceding sentence, but not later than April of the year following the year of the Participant's Retirement or attainment of age 70 ½, whichever is later. In such case, distribution shall commence as soon as administratively feasible following the Benefit Commencement Date selected by the Participant or Beneficiary.

(b) Distribution Options -- A Participant or Beneficiary may elect to have the value of the Participant's Account distributed in accordance with one of the following distribution options, provided that such option is consistent with the limitations set forth in Section 5.4(d).

(1) A lump sum payment consisting of all or a portion of the Account;

(2) Equal monthly, quarterly, semi-annual or annual payments in an amount chosen by the Participant or Beneficiary, continuing until his or her Account is exhausted;

(3) Approximately equal monthly, quarterly, semi-annual or annual payments calculated to continue for a period certain chosen by the Participant or Beneficiary.

(4) Annual payments equal to the minimum distributions required under Code Section 401(a)(9), including the incidental death benefit requirements of

Code Section 401(a)(9)(G), over the life expectancy of the Participant (or the Beneficiary, as the case may be) or over the life expectancies of the Participant and his or her Beneficiary.

(5) Payments equal to payments made by the issuer of a retirement annuity policy acquired by the Plan with the proceeds of the Participant's Account, provided that such payments shall comply with the requirements of Code Section 401(a)(9), including the incidental death benefit requirements of Code Section 401(a)(9)(G).

(6) A split distribution under which payments under options (1), (2), (3) or (5) commence or are made at the same time, as elected by the Participant or Beneficiary, as the case may be, provided that all payments commence (or are made) by the Automatic Distribution Date; or

(7) Subject to Section 5.4(d), any distribution option elected by the Participant or Beneficiary and agreed to by the Plan Administrator and the applicable Trustee/Custodian.

The payment of installments shall be made as a systematic disbursement with payments generally beginning on the 15th day of the month selected and to be issued within 7 business days. A change in the payment basis, dollar amount or number of payments may be requested once each year. Payments will be taken first from the guaranteed interest account (if available) until exhausted, then from any other Investment Fund and prorated across all contribution types. Under the systematic disbursement, a Participant or Beneficiary who has attained age 59 ½ may request one additional payment each year up to 10% of the remaining account balance, to cover any unforeseen needs.

(c) Default Option -- If a Participant fails to make a timely election of a distribution option, benefits shall be paid under Option (4) of paragraph (b) above. If a Beneficiary fails to make a timely election of a distribution option, benefits shall be paid out in a single sum consisting of the entire undistributed Participant's Account.

(d) Limitation on Options -- (1) No distribution option may be selected by a Participant or Beneficiary unless it satisfies the requirements of Code Sections 401(a)(9) and 457(d)(2) and applicable Treasury Regulations thereunder, including that payments commencing before the death of the Participant shall satisfy the incidental death benefit requirements under Code Section 401(a)(9)(G).

(2) The payment of installments under Options (2) or (3) of paragraph (b) above may be selected by a Participant or Beneficiary only if the Participant's Account has a minimum balance of at least \$5,000 at the time the Plan Administrator receives the notification of election.

(e) Change in Distribution Options -- Once the Participant or Beneficiary has selected a distribution option, the method of payment may be changed up to 30 days prior to the actual start of distribution payments.

(f) Manner of Payment -- All withdrawals and distributions made under this Plan shall be made by check or (if permitted by the Plan Administrator) electronic funds transfer, subject to any appropriate tax deductions.

(g) Administrative Procedures -- The Plan Administrator shall develop, to the extent practicable, reasonable procedures to provide that, upon receipt of notification of a Participant's Retirement or Termination of Service, the Plan Administrator shall notify the Participant regarding the distribution options available under the Plan. The Plan Administrator shall determine the forms and procedures to be followed for making a distribution election and selecting a method of payment.

Special provisions exist at Section 5.9, "Hardship Distributions", for the payment of benefits to a member suffering an unforeseeable emergency.

Special provisions exist at Section 5.10, "In-Service Distribution", for the payment of benefits to a member with an inactive account.

Special provisions exist at Section 6.6, "Transfers to Purchase Permissive Service Credit", for the transfer of funds by a member to purchase permissive service credit under a governmental defined benefit plan.

Special provisions exist at Article 7, "Alternate Payee" for the payment of benefits to an alternate payee under a domestic relations order.

Special provisions exist at Section 6.5, "Distribution of Certain Previously Rolled Over Amounts" for the payment of benefits to a Participant with rollover funds.

5.5 Valuation Dates and Account and Investment Fund Valuations

Any Investment Fund under the Plan shall be valued by the Plan Administrator as of each Valuation Date pursuant to a uniform system of accounting which has been approved by the State Investment Council. At their respective discretion, the Board or the State Investment Council may directly or through a contract agent conduct audits of the Investment Funds. Any Investment Fund is to be valued at the fair market value as of each Valuation Date pursuant to the uniform system of accounting.

As of each Valuation Date, a Participant's Account shall be valued by adjusting the value of the Account to reflect the fair market value of the Investment Funds credited to the Participant's Account. Each Participant's gains and losses shall only be allocated to his/her Account and shall not be allocated to the Account of any other Participant. The Plan Administrator shall provide each Participant with a statement of his/her Account as of the end of each calendar year quarter and may provide more frequent statements as is deemed appropriate.

The amount paid upon a withdrawal or distribution shall be based upon the valuation of the Participant's Account as of the Valuation Date immediately preceding the Automatic Distribution Date, such earlier Benefit Commencement Date as may be elected by the Participant or Beneficiary, or such other payment date in accordance with the distribution option selected by the Participant or Beneficiary.

5.6 Distribution Upon Retirement Or Death

(a) Post-Retirement Death Benefits -- Should the Participant die after he/she has begun to receive distribution of his/her Account, payments shall be made to the Participant's Beneficiary in accordance with the minimum required distribution rules under Code Section 401(a)(9). Any other distribution option as may be permitted by the Plan Administrator and elected by a Beneficiary under this Section 5.6 must provide for payments at a rate that is at least as rapid as under the distribution option that was applicable to the Participant. In no event shall the Participating Employer or Plan Administrator be liable to the Beneficiary for the amount of any payment made in the name of the Participant before the Plan Administrator receives proof of death of the Participant.

In the event that the Beneficiary dies before the payment of death benefits has commenced or been completed, then the commuted value of any remaining payments under the distribution option shall be paid in a single sum to the person, if any, so designated by the Beneficiary to receive such single sum (on a form approved by the Plan Administrator for such purpose) or, if no such designation is made, in a single sum to the estate of the Beneficiary.

(b) Pre-Retirement Death Benefits -- Should the Participant die before he/she has begun to receive distribution of his/her Account, the Participant's Beneficiary may elect to have the Participant's Account paid in one of the options described in Section 5.4. The Benefit Commencement Date under this paragraph (b) shall not be later than the later of (i) December 31 of the year following the year of the Participant's death, (ii) for non-installment distributions, December 31 of the fifth year following the year of the Participant's death or (iii) if the Beneficiary is the Participant's spouse, December 31 of the year in which the Participant would have attained age 70 ½. Unless a Beneficiary elects a different distribution option prior to the Benefit Commencement Date, death benefits under this Section shall be paid in the default option method of distribution set forth in Section 5.4.

In the event that the Beneficiary dies before the payment of death benefits has commenced or been completed, the commuted value of any remaining payouts under the distribution option shall be paid in a single sum to the person, if any, so designated by the Beneficiary to receive such single sum (on a form approved by Plan Administrator for such purpose) or, if no such designation is made, in a single sum to the estate of the Beneficiary.

(c) Distribution Upon Retirement or Death -- Subject to the provisions of this Article 5, upon the retirement or death of a Participant, payments shall be distributed to the Participant or, in the case of death, to his/her Beneficiary in the manner set forth as in Section 5.4 or 5.6 herein; provided that, in the case of Retirement, the Participant has advised the Plan Administrator, at such time and in accordance with a method acceptable to the Plan Administrator so that payments may be made as soon as administratively practicable subsequent to his/her date of retirement. If a Participant did not provide such notice, the Plan Administrator may delay, if necessary, the initial payment or single sum payment, as the case may be, for not later than 90 days after the close of the Plan year in which the Participant retires.

5.7 Distribution upon Termination of Service: Disability

Subject to the provisions of this Article 5, upon a severance from employment of a Participant (within the meaning of Code Section 457(d)(1)(A)(ii)) due to a finding by the Plan Administrator of Disability, payments shall be distributed to the Participant in the manner set forth in Section 5.4 herein.

5.8 Distribution upon Termination of Service Prior to Retirement: Reasons other than Death or Disability

Subject to the provisions of this Article 5, upon the Participant's Termination of Service prior to his/her Retirement for any reason other than his/her death or Disability, payments shall be distributed to the Participant in the manner set forth in Section 5.4 herein.

5.9 Hardship Distributions

(a) In the event an unforeseeable emergency occurs, a Participant may submit to the Plan Administrator an Unforeseeable Emergency Withdrawal Application to receive that part of the value of his/her Account that is reasonably needed to satisfy the emergency need. If such an application is approved by the Plan Administrator, the Participant shall be paid only such amount as the Plan Administrator deems necessary to meet the emergency need, but payment shall not be made to the extent that the financial hardship may be relieved through cessation of deferral under the Plan, insurance or other reimbursement, or liquidation of other assets to the extent such liquidation would not itself cause severe financial hardship. The Participant's Account shall be valued as of the Valuation Date coinciding with or next following approval of the Participant's request.

An unforeseeable emergency shall be deemed to involve only circumstances of severe financial hardship to the Participant or a Beneficiary resulting from a sudden unexpected illness, accident, or disability of the Participant or Beneficiary, his or her spouse, or a dependent (as defined in Code Section 152(a)) of the Participant or Beneficiary, loss of the Participant's or Beneficiary's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster), or other similar and extraordinary unforeseeable circumstances arising as a result of events beyond the control of the Participant or Beneficiary. Imminent foreclosure of or eviction from the participant's or beneficiary's primary residence, the need to pay for medical expenses (including non-refundable deductibles and the cost of prescription drug medication), and the need to pay for the funeral expenses of a spouse or a dependent (as defined in Code Section 152(a)) may each constitute an unforeseeable emergency. However, the need to send a Participant's child to college or to purchase a new home shall not, of itself, be considered an unforeseeable emergency. The determination as to whether such an unforeseeable emergency exists shall be based on the merits of each individual case.

(b) Within ten working days of receiving an Unforeseeable Emergency Withdrawal Application, the Plan Administrator shall determine whether the participant qualifies for a withdrawal due to an unforeseeable emergency. Any such determination shall comply with the regulations or the requirements established by Code Section 457. At the request of the Plan

Administrator, the Participant may agree to an extension of the period for making such determination. The Plan Administrator shall have the authority to require such medical or other evidence as he/she may need to determine the necessity of the Participant's withdrawal request. If the Plan Administrator should deny a Participant's request in whole or in part, the Participant may appeal to the Board and shall direct the Plan Administrator to so notify the Board.

(c) A Participant making a request for an unforeseeable emergency withdrawal will be required to suspend his/her deferrals to the Plan for six consecutive months. Following that time he/she may apply to the Plan Administrator for resumption of his/her deferrals.

5.10 In-Service Distribution

A single sum distribution of a Participant's entire Account may be made, upon election by the Participant, if:

- (a) the Participant has not made deferrals into the Plan for at least 24 months; and
- (b) the total amount payable to a Participant under the Plan does not exceed \$5,000.

No additional amounts may be deferred under the Plan with respect to the Participant for one year after such distribution at which time the Participant may apply to the Plan Administrator for resumption of deferrals. Only one such distribution under this provision is allowed to an individual while participating in the Plan.

ARTICLE 6: TRANSFERS AND ROLLOVERS; PERMISSIVE SERVICE CREDIT

6.1 Transfer of Fund Balances within the Plan

The Participant may transfer his/her balances among his/her present Investment Funds. The transfer of the fund balances will take place as soon as administratively practicable following the next Valuation Date for the respective transferor Investment Fund.

In order to accomplish these elections, the Participant must complete a change request form which is available from his/her personnel or payroll representative. Transfers must be made in multiples of one percent (1%) and must result in the investment, following the transfer, of one hundred percent (100%) of the Participant's Account, and must conform to such other rules, restrictions and limitations as may be established by the Plan Administrator, including limitations on transfers that apply because of the nature of a particular Investment Fund.

6.2 Transfers from Other Plans

Subject to the requirements of Code Section 457(e)(10), any Treasury Regulations thereunder, and the procedures established by the Plan Administrator, a transfer may be accepted from a governmental eligible deferred compensation plan if such transfer complies with the requirements set forth in subsection (a), (b) or (c) below:

(a) In the case of plan-to-plan transfers of the account of an eligible Employee after a termination of employment with the transferring employer:

- (1) The transferor governmental eligible deferred compensation plan must provide for transfers;
- (2) The Participant or Beneficiary whose deferred amounts are being transferred must have deferred compensation immediately after the transfer in an amount at least equal to the amount deferred with respect to the Participant or Beneficiary immediately before the transfer; and
- (3) In the case of a transfer for a Participant, the Participant must have had a termination of employment (under the meaning of Code Section 457(d)(1)(A)(ii)) with the transferring employer and must be performing services for the Participating Employer.

(b) In the case of plan-to-plan transfers of the account of an eligible Employee as part of a transfer of all plan assets of another governmental eligible deferred compensation plan:

- (1) The transferor governmental eligible deferred compensation plan and the Plan must be within the State;
- (2) The transferor governmental eligible deferred compensation plan must provide for transfers;
- (3) All assets of the transferor governmental eligible deferred compensation plan must be transferred;
- (4) The Participant or Beneficiary whose deferred amounts are being transferred must have deferred compensation immediately after the transfer in an amount at least equal to the amount deferred with respect to the Participant or Beneficiary immediately before the transfer; and
- (5) The Participant or Beneficiary whose deferred amounts are being transferred must not be eligible to make additional annual deferrals under the Plan unless he/she is performing services for the Participating Employer.

(c) In the case of plan-to-plan transfers of the account of an eligible Employee from another of the Participating Employer's Code Section 457(b) plans:

- (1) The transfer must be from another governmental eligible deferred compensation plan maintained by the same employer (and, for this purpose, the Participating Employer is not treated as the same employer if the Participant's compensation is paid by a different entity);
- (2) The transferor governmental eligible deferred compensation plan must provide for transfers;
- (3) The Participant or Beneficiary whose deferred amounts are being transferred must have deferred compensation immediately after the transfer in an amount at least equal to the amount deferred with respect to the Participant or Beneficiary immediately before the transfer; and
- (4) The Participant or Beneficiary whose deferred amounts are being transferred must not be eligible to make additional annual deferrals under the Plan unless he or she is performing services for the Participating Employer.

The Plan Administrator may require such documentation from the transferor governmental eligible deferred compensation plan as it deems necessary to effectuate the transfer in accordance with Code Section 457(e)(10), to confirm that such plan is an eligible deferred compensation plan within the meaning of Code Section 457(b), and to assure that transfers are provided for under such plan. The Plan Administrator may refuse to accept a transfer in the form of assets other than cash. Any such transferred amount shall not be treated as a deferral subject to the limitations of Article 3 of the Plan.

6.3 Transfers from the Plan. Subject to the requirements of Code Section 457(e)(10), and Treasury Regulations thereunder, and the procedures established by the Plan Administrator, an Account may be transferred to a governmental eligible deferred compensation plan if such transfer complies with the requirements set forth in subsection (a), (b) or (c) below:

(a) In the case of plan-to-plan transfers of the Account of a Participant after a Termination of Service.

- (1) The transferee governmental eligible deferred compensation plan must provide for transfers;
- (2) The Participant or Beneficiary whose deferred amounts are being transferred must have deferred compensation immediately after the transfer in an amount at least equal to the amount deferred with respect to the Participant or Beneficiary immediately before the transfer; and
- (3) In the case of a transfer for a Participant, the Participant must have had a termination of employment (under the meaning of Code Section 457(d)(1)(A)(ii)) with the Participating Employer and must be performing services for the transferee employer.

(b) In the case of plan-to-plan transfer of the Account of a Participant as part of a transfer of all Plan assets to another governmental Code Section 457(b) Plan:

- (1) The transferee governmental eligible deferred compensation plan and the Plan must be within the State;
- (2) The transferee governmental eligible deferred compensation plan must provide for transfers;
- (3) All assets of the Plan must be transferred;
- (4) The Participant or Beneficiary whose deferred amounts are being transferred must have deferred compensation immediately after the transfer in an

amount at least equal to the amount deferred with respect to the Participant or Beneficiary immediately before the transfer; and

- (5) The Participant or Beneficiary whose deferred amounts are being transferred must not be eligible to make additional annual deferrals under the transferee governmental eligible deferred compensation plan unless he/she is performing services for the transferee employer.

(c) In the case of plan-to-plan transfers of the Account of a Participant to another of the Participating Employer's Code Section 457(b) plans:

- (1) The transfer must be to another governmental eligible deferred compensation plan maintained by the same employer (and, for this purpose, the Participating Employer is not treated as the same employer if the Participant's compensation is paid by a different entity);
- (2) The transferee governmental eligible deferred compensation plan must provide for transfers;
- (3) The Participant or Beneficiary whose deferred amounts are being transferred must have deferred compensation immediately after the transfer in an amount at least equal to the amount deferred with respect to the Participant or Beneficiary immediately before the transfer; and
- (4) The Participant or Beneficiary whose deferred amounts are being transferred must not be eligible to make additional annual deferrals under the transferee governmental eligible deferred compensation plan unless he/she is performing services for the transferee employer.

The Plan Administrator may require such documentation from the transferee governmental eligible deferred compensation plan as it deems necessary to effectuate the transfer in accordance with Code Section 457(e)(10), to confirm that such plan is an eligible deferred compensation plan within the meaning of Code Section 457(b), and to assure that transfers are provided for under such plan. No transfer shall occur unless the transferee employer has signed such agreements as are necessary to assure that the Participating Employer's liability to pay benefits to the Participant has been discharged and assumed by the transferee employer.

6.4 Eligible Rollover Distributions

(a) Incoming Rollovers -- An Eligible Rollover Distribution may be accepted from an Eligible Retirement Plan maintained by another employer and credited to a Participant's Account under the Plan. The Plan Administrator may require such documentation from the distributing plan as it deems necessary to effectuate the rollover in accordance with Code Section 402 and to confirm that such plan is an eligible retirement plan within the meaning of Code Section 402(c)(8)(B). The Plan shall separately account for Eligible Rollover Distributions from any Eligible Retirement Plan that is not an eligible deferred compensation plan described in Code Section 457(b) maintained by an eligible governmental employer described in Code Section 457(e)(1)(A). Any such rolled-over amount shall not be treated as a deferral subject to the limitations of Article 3 of the Plan.

(b) Outgoing Rollovers -- Notwithstanding any provision of the Plan to the contrary that would otherwise limit a Distributee's election under this Section, a Distributee may elect, at the time and in the manner prescribed by the Plan Administrator, to have any portion of an Eligible Rollover Distribution paid directly to an Eligible Retirement Plan specified by the Distributee in a direct rollover, provided the Eligible Retirement Plan agrees to accept the direct rollover. A "Distributee" for this purpose includes an Employee or former Employee. In addition, the Employee's or former Employee's surviving spouse and the Employee's or former Employee's spouse or former spouse who is the alternate payee under a qualified domestic relations order, as defined in Code Section 414(p), are Distributees with regard to the interest of the spouse or former spouse.

6.5 Distribution of Certain Previously Rolled Over Amounts

Amounts previously rolled over to the Plan shall be distributable from the Plan; provided, however, that distributions under this Section shall only be permitted to the extent that each distribution satisfies the requirements of the Code, any Treasury Regulations thereunder, and any other regulatory guidance from the Internal Revenue Service. For purposes of Code Section 72(t), a distribution from this Plan under this section shall be treated as a distribution from a qualified retirement plan described in Code Section 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in Code Section 4974(c)).

6.6 Transfers to Purchase Permissive Service Credit

All or a portion of a Participant's Account may be transferred directly to the trustee of 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 subsection (k)(3) thereof, within the meaning of Code Section 457(e)(17).

6.7 Administrative Rules

The Plan Administrator shall prescribe such rules consistent with the provisions of this Article concerning transfers and rollovers, including transfers to purchase permissive

service credit, as it deems desirable for the orderly administration of the Plan and consistent with applicable Sections of the Code.

ARTICLE 7: ALTERNATE PAYEE

7.1 Definition of Alternate Payee

For purposes of this Article 7, the term “alternate payee” shall mean a former spouse awarded any portion of benefit payable to a Participant under a domestic relations order.

7.2 Recordkeeping

Pursuant to an approved domestic relations order, Investment Fund units will be transferred from the Participant’s existing Account to a recordkeeping account established for the alternate payee. The transfer will occur as soon as administratively practicable after the Plan Administrator determines that it has received an acceptable order. The alternate payee will be permitted to transfer investment balances between those Investment Funds offered to Participants of the Plan in accordance with the provisions of Section 5.3 herein.

7.3 Provisions of the Order

The domestic relations order must include the following provisions in order to be acceptable for implementation by the Plan Administrator:

- (a) Name, social security number and current address of the Participant,
- (b) Name, social security number and current address of the alternate payee,
- (c) Valuation date for the amount to be awarded to the alternate payee which coincides with the end of an accounting period under the Plan,
- (d) Amount awarded to the alternate payee expressed as:
 - (1) A specific dollar amount, or
 - (2) A percentage of the Account.

7.4 Benefit Payments

Benefits will be payable to the alternate payee, or to the alternate payee’s beneficiary, when permitted under the Code. Benefits will be reported as income in accordance with provisions of the Code.

7.5 Death of Participant

Upon the death of the Participant, any assets assigned to the alternate payee under a domestic relations order will remain in the alternate payee’s control but take the characteristics of a surviving beneficiary.

7.6 Death of Alternate Payee

Upon the death of the alternate payee any assets assigned to the alternate payee under a domestic relations order will then be distributed among the surviving beneficiaries named by the alternate payee in accordance with the provisions of Article 5 herein.

ARTICLE 8: MISCELLANEOUS

8.1 Escheat

Accounts of any Participant who cannot be located by good faith effort of the Plan Administrator shall escheat to the extent, at the time, and in the manner provided by the applicable laws of the State of New Jersey.

8.2 Electronic Writings

Notwithstanding any provision of the Plan to the contrary, commonly accepted means of electronic communication approved of by both the Plan Administrator and the Trustee/Custodian may be used for any activity under this Plan for which a writing is required.

8.3 Titles and Subheadings

The titles and subheadings used in this document are for reference purposes only.

8.4 EGTRRA Sunset

Notwithstanding any provision of the Plan to the contrary, all benefits provided under the Plan on account of EGTRRA-related changes will automatically sunset after 2010 (or such later date provided in any extension of the provision of EGTRRA) unless the EGTRRA changes are made permanent.