

[Second Reprint]

ASSEMBLY, No. 4562

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED JUNE 13, 2024

Sponsored by:

Assemblywoman ROSAURA "ROSY" BAGOLIE
District 27 (Essex and Passaic)
Assemblyman ROY FREIMAN
District 16 (Hunterdon, Mercer, Middlesex and Somerset)
Senator JOHN F. MCKEON
District 27 (Essex and Passaic)

Co-Sponsored by:

Assemblywomen Hall, Speight, Quijano, Assemblyman Atkins,
Assemblywomen Drulis, Carter and Assemblyman Stanley

SYNOPSIS

Allows State, municipality, and county to implement automatic enrollment of their employees in deferred compensation plans.

CURRENT VERSION OF TEXT

As amended by the Senate on December 22, 2025.



(Sponsorship Updated As Of: 1/8/2026)

1 **AN ACT** concerning automatic enrollment in State, municipality,
2 and county deferred compensation plans and amending P.L.1977,
3 c.381 and P.L.1978, c.39.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7

8 1. Section 1 of P.L.1977, c.381 (C.43:15B-1) is amended to
9 read as follows:

10 1. a. Any municipality, county, or an authority created by one
11 or more counties or municipalities (hereinafter "employer") may
12 establish a deferred compensation plan (hereinafter "plan"), and a
13 sponsoring agency, pursuant to P.L.1997, c.388 (C.40A:14-183 et
14 al.), may establish a length of service award program based on such
15 plan, whereby the employer may enter into a written agreement
16 with any of its employees (hereinafter "participants") constituting a
17 contract for a voluntary deferral of salary. Such contract shall
18 remain in effect until the employee's service is terminated or until a
19 new contract is executed by the employee and employer. Not more
20 than one contract shall be executed in any one fiscal year of the
21 employer with any one employee. Pursuant to such contract the
22 employer shall credit from time to time a specific amount per pay
23 period, as deferred salary, to a participant's account. This account
24 shall be known as the Employee's Deferred Salary Account, and
25 shall be credited from time to time to reflect gains realized on the
26 investment of the moneys in the deferred salary account. An
27 accounting summary of the individual deferred salary accounts of
28 all employee participants shall be maintained to reflect the
29 employer's total deferred liability under the plan and the individual
30 balances of all participants. Any employer which establishes such a
31 plan shall designate one or a group of its public officials, or the
32 county's or municipality's governing body, as defined in
33 N.J.S.40A:4-2 of the Local Budget Law, or an authority's governing
34 body, as the case may be, as the named fiduciary responsible for the
35 administration of said plan and investment of and accounting for the
36 funds maintained thereunder.

37 b. An employer may adopt, in connection with the deferred
38 compensation plan, a written plan provision that permits the
39 employer to defer and deduct from an employee's salary a specified
40 percentage unless the employee makes an affirmative election not to
41 defer or to defer a different percentage. An automatic enrollment
42 arrangement shall establish a default deferral percentage, may
43 provide for periodic escalation of deferral percentages, and may
44 provide for the periodic default reenrollment of employees who are

**EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is
not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly floor amendments adopted March 24, 2025.

²Senate floor amendments adopted December 22, 2025.

1 not participating in the plan or are participating at less than the
2 default percentage. An automatic enrollment arrangement shall
3 provide an employee with notice and a reasonable opportunity to
4 terminate deferrals or to defer at a different percentage.

5 If an employer elects to establish an automatic enrollment
6 arrangement, the deduction from an employee's salary pursuant to a
7 default deferral percentage shall be treated as a written agreement
8 that constitutes a contract for a voluntary deferral of salary for
9 purposes of subsection a. of this section and shall be treated as
10 having been authorized in writing for purposes of section 4 of
11 P.L.1965, c.173 (C.34:11-4.4).

12 If a deferred compensation plan includes an automatic
13 enrollment arrangement, the named fiduciary shall designate a
14 default investment into which an employee's deferred salary shall
15 be invested in the absence of an affirmative investment election
16 from the employee.

17 ¹c. Notwithstanding the provisions of subsection b. of this
18 section, an employer whose employees are represented by a union
19 that is designated as the majority representative pursuant to the
20 "New Jersey Employer-Employee Relations Act," P.L.1941, c.100
21 (C.34:13A-1 et seq.), and eligible to participate in a deferred
22 compensation plan, shall negotiate the terms of a deferred
23 compensation plan with such majority representative, including
24 whether such employees represented by the majority representative
25 shall be automatically enrolled in the plan, the default deduction
26 percentage from an employee's salary, if any, and the default
27 investment, if any. The terms of a negotiated deferred
28 compensation plan shall be consistent with subsection a. of this
29 section. Absent a written agreement between an employer and a
30 majority representative, in order to participate in a deferred
31 compensation plan, an employee represented by the majority
32 representative shall be required to affirmatively elect to participate.¹

33 (cf: P.L.1997, c.388, s.15)

34

35 2. Section 3 of P.L.1978, c.39 (C.52:18A-165) is amended to read
36 as follows:

37 3. a. The State may by a voluntary written agreement with any
38 employee of the State provide that a portion of the employee's current
39 salary from the State shall be deferred and deducted each payroll
40 period for disposition by the board in accordance with the plan.

41 b. ²【Each employee eligible to participate in the plan hired on or
42 after January 1 next following the date of enactment of
43 P.L. , c. (pending before the Legislature as this bill) shall be
44 enrolled in the plan automatically and the board shall defer and
45 deduct】 The board may adopt, in connection with the deferred
46 compensation plan, a written plan provision that permits the deferral or
47 deduction from the salary of employees of the State, or a subset

1 thereof determined by the board,² an amount equal to a percent of
2 salary specified by the board received on and after the date of hire,
3 unless the employee makes an affirmative election not to defer or to
4 defer at a different percentage. ²【The】 If the board elects to establish
5 an automatic enrollment arrangement pursuant to this subsection, the²
6 board shall establish a default deferral percentage, may provide for
7 periodic escalation of deferral percentages, and may provide for the
8 periodic default reenrollment of employees who are not participating
9 in the plan or are participating at less than the default percentage. The
10 board shall ensure that an employee is provided with notice and
11 reasonable opportunity to terminate deferrals or to defer a different
12 percentage.

13 The board may designate classes of employees who are not subject
14 to the automatic enrollment arrangement, such as part-time, seasonal,
15 or temporary employees.

16 ²【The】 If the board elects to establish an automatic enrollment
17 arrangement, the² deduction from an employee's salary pursuant to a
18 default deferral percentage shall be treated as a voluntary written
19 agreement for purposes of subsection a. of this section and shall be
20 treated as being authorized in writing for purposes of section 4 of
21 P.L.1965, c.173 (C.34:11-4.4).

22 ²【The】 If a deferred compensation plan includes an automatic
23 enrollment arrangement, the² named fiduciary of the plan shall
24 designate a default investment into which an employee's deferred
25 salary shall be invested in the absence of an affirmative investment
26 election from the employee.

27 ¹c. Notwithstanding the provisions of subsection b. of this section,
28 the State, and any other employer whose employees are represented by
29 a union that is designated as the majority representative pursuant to the
30 "New Jersey Employer-Employee Relations Act," P.L.1941, c.100
31 (C.34:13A-1 et seq.), and eligible to participate in the New Jersey
32 State Employees Deferred Compensation Plan established pursuant to
33 section 2 of P.L.1978, c.39 (C.52:18A-164), shall negotiate the terms
34 of a deferred compensation plan with such majority representative,
35 including whether such employees represented by the majority
36 representative shall be automatically enrolled in the plan, the default
37 deduction percentage from an employee's salary, if any, and the
38 default investment, if any. The terms of a negotiated deferred
39 compensation plan shall be consistent with any applicable rules and
40 regulations adopted by the New Jersey State Employees Deferred
41 Compensation Board established pursuant to P.L.1978, c.39
42 (C.52:18A-163 et seq.). Absent a written agreement between an
43 employer and a majority representative, in order to participate in the
44 New Jersey State Employees Deferred Compensation Plan, an
45 employee represented by a majority representative shall be required to
46 affirmatively elect to participate.

1 ~~2~~d. Notwithstanding any law, rule, or regulation to the contrary,
2 the provisions of this section shall apply to employees of State
3 institutions of higher education which are eligible to participate in the
4 New Jersey State Employees Deferred Compensation Plan established
5 pursuant to section 2 of P.L.1978, c.39 (C.52:18A-164), including
6 pursuant to section 12 of P.L.1978, c.39 (C.52:18A-174).¹²

7 (cf: P.L.1978, c.39, s.3)

8

9 3. This act shall take effect immediately.