KPMG

NEW JERSEY STATE EMPLOYEES DEFERRED COMPENSATION PLAN

Financial Statements

June 30, 2025 and 2024

(With Independent Auditors’ Report Thereon)

NEW JERSEY STATE EMPLOYEES
DEFERRED COMPENSATION PLAN

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KPMG LLP
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Independent Auditors' Report

The Board
New Jersey State Employees Deferred Compensation Plan:

Opinion

We have audited the financial statements of the New Jersey State Employees Deferred Compensation Plan (the Plan) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of June 30, 2025 and 2024, and the changes in fiduciary net position for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG LLP

Short Hills, New Jersey
March 27, 2026

STATE OF NEW JERSEY
NEW JERSEY STATE EMPLOYEES
DEFERRED COMPENSATION PLAN

Statements of Fiduciary Net Position

June 30, 2025 and 2024

		2025	2024
Assets:			
Cash	$	10,909	10,909
Investments, at fair value:			
Cash Management Fund		938,593	406,721
Domestic equities		869,343,520	833,636,040
Fixed income mutual funds		518,758,974	503,739,936
Equity mutual funds		4,889,018,429	4,558,764,001
Total investments		6,278,059,516	5,896,546,698
Total assets		6,278,070,425	5,896,557,607
Liabilities:			
Accounts payable and accrued expenses		949,501	417,629
Total liabilities		949,501	417,629
Net position:			
Restricted for pensions	$	6,277,120,924	5,896,139,978

See accompanying notes to financial statements.

STATE OF NEW JERSEY
NEW JERSEY STATE EMPLOYEES
DEFERRED COMPENSATION PLAN

Statements of Changes in Fiduciary Net Position

June 30, 2025 and 2024

	2025	2024
Additions:		
Member contributions	$ 269,419,175	249,558,264
Investment income:		
Net increase in fair value of investments	538,102,472	624,281,467
Interest and dividends	10,710,250	9,247,554
	548,812,722	633,529,021
Less investment expense	338,122	313,183
Net investment income	548,474,600	633,215,838
Total additions	817,893,775	882,774,102
Deductions:		
Benefits	436,342,577	414,801,765
Administrative expenses	570,252	565,920
Total deductions	436,912,829	415,367,685
Change in net position	380,980,946	467,406,417
Net position restricted for pensions – beginning of year	5,896,139,978	5,428,733,561
Net position restricted for pensions – end of year	$ 6,277,120,924	5,896,139,978

See accompanying notes to financial statements.

(1) Description of the Plan

(a) Organization

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits (the Division) was created and exists pursuant to N.J.S.A. 52:18A to oversee and administer the pension trust and other postemployment benefit plans sponsored by the State of New Jersey (the State), including the New Jersey State Employees Deferred Compensation Plan (the Plan or NJSEDCP).

The Plan, a single employer defined contribution pension plan, was established by Chapter 39, P.L. 1978, which became effective June 19, 1978, amended by Chapter 449, P.L. 1985, effective January 14, 1986, and further amended by Chapter 116, P.L. 1997, effective June 6, 1997, and is available to any state employee who is a member of a state-administered retirement system or an employee of an eligible state agency, authority, commission or instrumentality of state government provided the employee has at least 12 continuous months of employment, and any individual employed through a Governor's appointment. The Plan's membership was 57,554 and 57,126 at June 30, 2025 and 2024, respectively.

(b) Contributions

Participants may defer between 1% and 100% of their salary less any Internal Revenue Code (IRC) Section 414(h) reductions or $23,500 annually in fiscal year 2025, and $23,000 annually in fiscal year 2024. Under the limited "catch-up" provision, a participant may be eligible to defer up to a maximum of twice the annual maximum in the three years immediately preceding the retirement age at which no reduction in benefits would be applicable.

There are no employer or nonemployer entities that are required to contribute to the Plan.

(c) Benefits

Assets in the plan are held in trust for the exclusive benefit of plan members and their beneficiaries in accordance with Governmental Accounting Standards Board (GASB) Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* (GASB 97). This Statement (1) requires that a Section 457 plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and (2) clarifies that Statement 84, as amended, should be applied to all arrangements organized under IRC Section 457 to determine whether those arrangements should be reported as fiduciary activities. Plan members are fully vested for the current valuation of their account from the date of enrollment in the plan. Benefits are payable upon separation from service with the State.

(2) Summary of Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The accompanying financial statements were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, the Plan adheres to reporting requirements established by the Governmental Accounting Standards Board (GASB).

The accrual basis of accounting is used for measuring financial position and changes in net position of the Plan. Under this method, contributions are recorded in the accounting period in which they are collected from the member, and deductions are recorded at the time the liabilities are due and payable in accordance with the terms of the Plan. The Plan is accounted for using an economic resources measurement focus.

(b) Investments

The State of New Jersey, Department of the Treasury, Division of Investment (Division of Investment) manages and invests certain assets of various divisions, agencies and employees of the State of New Jersey in various groups of funds, which includes the Plan.

In addition, the Division of Investment manages the State of New Jersey Cash Management Fund (CMF), which is available on a voluntary basis for investment by State and certain non-State participants. CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. Units of ownership in CMF may be purchased or redeemed on any given business day (excluding State holidays) at the unit cost or value of $1.00. Participant shares are valued on a fair value basis. For additional information about CMF, refer to the audited financial statements, which can be obtained at https://www.nj.gov/treasury/doinvest/cmf/CMFFinancialStatementFY2025.pdf

Empower (formerly Prudential Retirement) is the third party administrator for the NJSEDCP. Empower provides recordkeeping, administrative services and access to 22 investment options through a combination of their separate account product offerings and retail branded mutual funds. The four state managed investments options (NJSEDCP Fixed Income Fund, NJSEDCP Equity Fund, NJSEDCP Small Capitalization Equity Fund, and NJSEDCP Cash Management Fund) were closed to new contributions on December 31, 2005. On August 1, 2014, the NJSEDCP Fixed Income Fund and the NJSEDCP Cash Management Fund were closed. On December 15, 2014, the NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Fund were opened to new contributions. The Board of the NJSEDCP is the fiduciary for the investments of the Plan. The Division of Pensions and Benefits maintains its administrative oversight functions for the Plan.

Investment transactions are accounted for on a trade or investment date basis. Interest and dividend income is recorded on the accrual basis, with dividends accruing on the ex-dividend date. Net increase or decrease in the fair value of investments includes the net realized and unrealized gains or losses on investments.

(c) Administrative Expenses

Administrative expenses are paid by the Plan and are included in the accompanying financial statements.

(d) Income Tax Status

The Plan is an eligible plan as described in the IRC Section 457.

(e) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Investments

The Plan's investments as of June 30, 2025 and 2024 are as follows:

		2025	2024
Cash Management Fund	$	938,593	406,721
Domestic equities		869,343,520	833,636,040
Fixed income mutual funds		518,758,974	503,739,936
Equity mutual funds		4,889,018,429	4,558,764,001
	$	6,278,059,516	5,896,546,698

New Jersey State statute provides for a State Investment Council (Council) and a Director of the Division of Investment. Investment authority is vested in the Director of the Division of Investment, and the role of the Council is to formulate investment policies. The Council issues regulations, which establish guidelines for permissible investments. The regulations provide that at the election of the participants, moneys from salary deductions may be deposited in funds managed by the Division of Investment, or in approved investment options offered and managed by outside vendors.

The NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Equity Fund are invested in equity securities that are denominated in U.S. dollars that trade on a securities exchange in the United States or the over-the-counter market. The NJSEDCP Equity Fund and the NJSEDCP Small Capitalization Equity Fund may hold up to 25% of their assets either in short-term fixed income securities, as permitted by the Council regulations, or in CMF. Not more than 10% of the market value of the NJSEDCP Equity Fund or the NJSEDCP Small Capitalization Equity Fund can be invested in the equity of any one issuer and affiliated entities. The total amount of a particular class of stock directly purchased or acquired of any one entity cannot exceed 5% of that class of stock outstanding. The total amount of shares directly purchased or acquired of any one exchange traded fund shall not exceed 5% of the total shares outstanding of such fund.

The funds managed by Empower investments for the NJSEDCP consist of a number of individual investment managers, which individually have investment guidelines that they comply with and follow. For Empower, the NJSEDCP is a participant-directed program offering a range of diversified investment alternatives. The options that include bond investments are diversified by sector and number of securities held, mitigating undue concentration of both credit and foreign currency risks as well as interest rate risk.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The fixed income mutual funds held by NJSEDCP as of June 30, 2025 and 2024 were unrated. The Cash Management Fund is not evidenced by securities that exist in physical or book entry form held by NJSEDCP and is unrated.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The fixed income mutual funds held by NJSEDCP as of June 30, 2025 and 2024 have a weighted average duration of 5.89 years and 5.98 years, respectively.

Custodial credit risk, as it relates to investments, is the risk that in the event of the failure of the custodian, NJSEDCP will not be able to recover the value of investments that are in the possession of the third party. NJSEDCP's investment securities are not exposed to custodial credit risk as they are held in a segregated trust account in the name of the NJSEDCP with the custodian.

(4) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted or published prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs are other than quoted or published prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and inputs into the determination of fair value require significant management judgment or estimation, including assumptions about risk.

Investments are reported at fair value as follows:

- Domestic equity securities are valued using closing sales prices reported on recognized securities exchanges on which the securities are principally traded.
- Fixed income and equity mutual funds are valued using the published daily closing prices reported by Empower.

The following table summarizes the fair value hierarchy of the investment portfolio as of June 30:

2025		Total	Level 1
Investments by fair value			
Equity securities:			
Domestic equities	$	869,343,520	869,343,520
Equity mutual funds		4,889,018,429	4,889,018,429
Total equity securities		5,758,361,949	5,758,361,949
Debt securities:			
Fixed income mutual funds		518,758,974	518,758,974
Total investments by fair value level		6,277,120,923	6,277,120,923
Local Government Investment Pool			
Cash Management Fund		938,593	
Total investments measured at fair value	$	6,278,059,516	

2024		Total	Level 1
Investments by fair value			
Equity securities:			
Domestic equities	$	833,636,040	833,636,040
Equity mutual funds		4,558,764,001	4,558,764,001
Total equity securities		5,392,400,041	5,392,400,041
Debt securities:			
Fixed income mutual funds		503,739,936	503,739,936
Total investments by fair value level		5,896,139,977	5,896,139,977
Local Government Investment Pool			
Cash Management Fund		406,721	
Total investments measured at fair value	$	5,896,546,698	

(5) Contingencies

The Plan is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the Plan’s financial statements.