

P.L. 2025, CHAPTER 358, *approved January 20, 2026*
Assembly, No. 4562 (*Second Reprint*)

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

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 arrangement shall establish a default deferral percentage, may
2 provide for periodic escalation of deferral percentages, and may
3 provide for the periodic default reenrollment of employees who are
4 not participating in the plan or are participating at less than the
5 default percentage. An automatic enrollment arrangement shall
6 provide an employee with notice and a reasonable opportunity to
7 terminate deferrals or to defer at a different percentage.

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

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

20 ¹c. Notwithstanding the provisions of subsection b. of this
21 section, an employer whose employees are represented by a union
22 that is designated as the majority representative pursuant to the
23 "New Jersey Employer-Employee Relations Act," P.L.1941, c.100
24 (C.34:13A-1 et seq.), and eligible to participate in a deferred
25 compensation plan, shall negotiate the terms of a deferred
26 compensation plan with such majority representative, including
27 whether such employees represented by the majority representative
28 shall be automatically enrolled in the plan, the default deduction
29 percentage from an employee's salary, if any, and the default
30 investment, if any. The terms of a negotiated deferred
31 compensation plan shall be consistent with subsection a. of this
32 section. Absent a written agreement between an employer and a
33 majority representative, in order to participate in a deferred
34 compensation plan, an employee represented by the majority
35 representative shall be required to affirmatively elect to participate.¹
36 (cf: P.L.1997, c.388, s.15)

37
38 2. Section 3 of P.L.1978, c.39 (C.52:18A-165) is amended to read
39 as follows:

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

44 b. ²Each employee eligible to participate in the plan hired on or
45 after January 1 next following the date of enactment of
46 P.L. , c. (pending before the Legislature as this bill) shall be
47 enrolled in the plan automatically and the board shall defer and
48 deduct] The board may adopt, in connection with the deferred

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

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

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

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

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

1 employee represented by a majority representative shall be required to
2 affirmatively elect to participate.

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

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11 3. This act shall take effect immediately.

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