

# NJ TRANSIT Defined Contribution Plans

## Plan Features and Highlights

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**GET ON BOARD**  
TO YOUR  
**FINANCIAL FUTURE**

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## Getting Started

### What are 457, 401(k) and 401(a) defined contribution plans?

Governmental 457(b) (457 plan) and 401(k) plans allow eligible employees to supplement any existing retirement/pension benefits by saving and investing before-tax dollars through voluntary salary deferral. Contributions and any earnings are tax-deferred until money is withdrawn, usually at retirement when the participant is typically receiving less income and is in a lower tax bracket than while working. Withdrawals are generally subject to ordinary income tax.

A 401(a) plan is a retirement savings plan designed to allow employers to supplement their employees' existing retirement and pension benefits. Contributions and any earnings on contributions are tax-deferred until money is withdrawn. Withdrawals are generally subject to ordinary income tax.

### Why should I participate in the Plans?

When working together with any other employer-sponsored retirement or pension benefits, Social Security benefits, Railroad Retirement benefits and/or any personal savings you may have, participating in the NJ TRANSIT Defined Contribution Plan(s) can help ensure a more comfortable and secure financial future. Not only are you able to save and invest on a tax-deferred basis, but our Plans also offer a diverse array of investment options, financial education services and planning tools that can help you prepare for retirement. If you need to save and invest additional money for retirement and/or reduce the amount of current state and federal taxes you pay each year, participating in the Plans can be a very smart decision.

### How are the Plans' assets protected?

All Plan assets are held in trust for the exclusive benefit of Plan participants and their beneficiaries. This means that Plan assets are not subject to the claims of NJ TRANSIT creditors in the event of NJ TRANSIT insolvency.

### Does participation in the Plans affect the pension or reduce the NJ TRANSIT pension/retirement benefits?

The Plans are supplementary plans that do not replace or reduce your NJ TRANSIT pension/retirement benefits.\*

### How do I know if I am eligible to participate

### in the Plans?

**457**—All Rail and Bus agreement employees, as well as all full-time Police agreement employees of NJ TRANSIT, are eligible to participate in the 457 Plan.

**401(a)**—As a Rail/Police full-time agreement employee, NJ TRANSIT makes a contribution to your pension Plan account as specified in your Labor Agreement.

**401(k)**—All full-time non-agreement employees of NJ TRANSIT are eligible to participate in the 401(k) Plan.

### How do I enroll?

It's simple. Personal Identification Numbers (PINs) for online enrollment will be sent to new employees:

- 1) Visit the Web site at [www.25GONJT.com](http://www.25GONJT.com) and click on the "Enroll Now" button.<sup>1</sup>
  - Fill out your deferral and allocation amounts.
  - Print out a beneficiary form, complete it and mail it to the address listed on the form.

If you haven't received a PIN or would like to request enrollment forms to complete via mail:

- 2) Call KeyTalk® toll free at **(800) 25-GO-NJT** (800-254-6658) and press "1."<sup>1</sup>

Your contributions will be automatically deducted from your paychecks as soon as all administrative processing is complete.

## Managing Your Account

### How do I keep track of my account?

You will receive a quarterly account statement at your address on file showing your account balance and activity for the quarter. Some of the features your statement will include are: your account balance at a glance, graphics of your asset allocation, an account summary by contribution source and more. It's quick and easy to check your account balance, move money among investment options, etc., on the Web site at [www.25GONJT.com](http://www.25GONJT.com) or by calling KeyTalk toll free at **(800) 25-GO-NJT** (800-254-6658) and pressing "1."<sup>1</sup>

### What is the contribution limit for the 457 and 401(k) Plans?

You may contribute between 2% and 50% of your salary up to a maximum of 100% of includible compensation or \$15,000, whichever is less in 2006.

Participants in the 457 Plan have two different

\* Because the Railroad benefit is different from the other benefit plans provided by NJ TRANSIT, withdrawal of the 401(a) funds may affect the Railroad Retirement Supplemental benefit.

<sup>1</sup> Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the Web site or KeyTalk received on business days prior to close of the New York Stock Exchange (4:00 p.m. Eastern Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

opportunities to catch up and contribute more during the final years of their career. Standard Catch-Up allows participants in the three calendar years prior to normal retirement age to contribute more (up to double the annual contribution limit—\$30,000 in 2006) to the 457 Plan. The additional amount that you may be able to contribute under the Standard Catch-Up option will depend upon the amounts that you were able to contribute in previous years but did not. Also, participants turning age 50 or older in 2006 may contribute an additional \$5,000. After 2006, the limit will be indexed for inflation in \$500 increments. You may not use the Standard Catch-Up provision and Age 50+ Catch-Up provision in the same year.

Participants in the 401(k) Plan turning age 50 or older in 2006 may also contribute an additional \$5,000 in 2006, after which the limit will be indexed in \$500 increments.

#### **Can I increase or decrease my contribution amount to my 457 and 401(k) Plans?**

You can increase, decrease or stop your deferral amount by visiting [www.25GONJT.com](http://www.25GONJT.com) or by calling KeyTalk toll free at (800) 25-GO-NJT (800-254-6658) and pressing “1.”<sup>1</sup>

Contribution amount changes are allowed once a month for 457 Plan participants. All changes made on or before the 20th of the month will be effective the following month. All changes made after the 20th of the month will be effective the second month after your change is made.

Contribution amount changes are allowed on a weekly basis for 401(k) Plan participants. All changes will be effective within one to two pay periods following the change.

#### **How do I change my primary or contingent beneficiary?**

Obtain the Beneficiary Form from the Web site at [www.25GONJT.com](http://www.25GONJT.com), or call KeyTalk toll free at (800) 25-GO-NJT (800-254-6658) and press “0” to speak with a Retirement Plan Specialist.<sup>1</sup> Spousal consent is required for married participants in the 401(k) and 401(a) Plans if you select someone other than your spouse as beneficiary. Return completed forms to the address listed on the forms. Your beneficiary information will print on your quarterly statements.

<sup>2</sup> The asset allocation options made available to you through your Plans include investment options made up of a mix of your Plans’ individual investment options. With each quarterly statement, you are able to determine the value of your account allocated to an individual investment option as of the rebalancing date of the asset allocation option by multiplying the value of your account allocated to the asset allocation option by the percent of the allocation option in the individual investment option.

<sup>3</sup> Representatives of GWFS Equities, Inc. and employees of NJ TRANSIT are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

## **Investment Options**

#### **What are my investment options?**

Your NJ TRANSIT Plans offer a diverse array of core investment options (listed on the back of this brochure). In addition to the core investment options, your Plans offer three Profile Portfolios<sup>2</sup> and a Self-Directed Brokerage (SDB) account. The SDB, offered through Ameritrade, allows you to select from numerous mutual funds for additional fees. These securities are not offered by your NJ TRANSIT Plans. The SDB account is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDB account.

*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds and/or disclosure documents online at [www.25GONJT.com](http://www.25GONJT.com) or by calling KeyTalk at (800) 25-GO-NJT (800-254-6658). For prospectuses on Self-Directed Brokerage, contact Ameritrade at (866) 766-4015. Read them carefully before investing.*

#### **How can I get help choosing my investment options?**

Your NJ TRANSIT Plans have a solution. Learn how you can have a qualified financial expert manage your retirement account for you.<sup>3</sup> Or if you want to manage your retirement account on your own, you can use the online investment guidance and advice tools. Called Reality Investing<sup>SM</sup>, these services provide a personalized retirement solution for you.

For more detailed information, please visit the Web site at [www.25GONJT.com](http://www.25GONJT.com) and click on the “Reality Investing” tab. You may also call KeyTalk toll free at (800) 25-GO-NJT (800-254-6658) and press “6,” then “3” to speak to an Advised Assets Group<sup>SM</sup>, LLC (AAG) adviser representative.

#### **How do I make investment option changes?**

Just use your PIN and Username to access the Web site at [www.25GONJT.com](http://www.25GONJT.com). You may also call KeyTalk toll free at (800) 25-GO-NJT (800-254-6658), and press “1.”<sup>1</sup>

Both services allow you to move all or a portion of your existing balances among investment options (subject to Plan rules) and to change how your payroll contributions are invested.

### **How often can I make investment option changes?**

The prospectus of a fund governs how the fund company manages the fund and how it must treat participants. The prospectus may set forth rules on how many trades a participant can make within a certain period of time and whether certain activity may be deemed to be damaging to the fund or its participants. Many funds, in their prospectuses, retain the right to determine what constitutes excessive trading or market timing and the ability to take action to restrain such activity. For specific information about a fund's trading policies, please refer to the fund's prospectus on the Web site at [www.25GONJT.com](http://www.25GONJT.com).<sup>1</sup>

### **What do I do if I can't remember my PIN or if I lose it?**

You can order a new PIN on the Web site at [www.25GONJT.com](http://www.25GONJT.com) or by calling KeyTalk toll free at (800) 25-GO-NJT (800-254-6658) and pressing "1."<sup>2</sup>

### **Do I report any current earnings or losses on my account to the IRS?**

No. Do not report any current earnings or losses from your Plans on your federal income tax forms. Any earnings on your contributions are tax-deferred until withdrawn, usually at retirement.

## **Transfers/Rollovers**

### **Can I transfer or roll over my account balance if I leave employment with NJ TRANSIT?**

If you leave employment with NJ TRANSIT, you can transfer your 457 Plan account balance to another eligible governmental 457 plan if your new employer accepts this type of transfer. You may also roll over your 457, 401(k) and 401(a) account balances to a governmental 457, 401(a), 401(k) or 403(b) plan or Individual Retirement Account (IRA) that accepts these kinds of transfers. However, in some circumstances, rollovers from certain accounts into others may be prohibited as some types of distributions are not eligible for rollover. There is a mandatory 20% federal income tax withholding on eligible rollover distributions that are not directly rolled over. If you leave your employer, you may find it beneficial to leave your money in the NJ TRANSIT Plans and continue to take advantage of the low fees, diverse selection of investment options and account management tools.

## **Withdrawals**

### **When can I withdraw the money from my account?**

A withdrawal is only allowed upon your:

- Attainment of age 70½ for the 457 Plan
- Attainment of age 59½ for the 401(k) Plan
- Retirement
- Experience of an unforeseeable emergency or hardship within the IRS guidelines (call KeyTalk toll-free at (800) 25-GO-NJT for additional details); hardship withdrawals from the 401(a) Plan are not available
- Disability (Railroad Retirement Award Letter or Social Security Award Notice is required)
- Death (your designated beneficiary(ies) will receive your benefits)
- Termination of employment with NJ TRANSIT

All withdrawals are subject to ordinary income tax. Withdrawals from the 401(a) and 401(k) Plans prior to age 59½ may be subject to a 10% federal tax penalty. For more information, please contact a Great-West Retirement Services® representative at (800) 25-GO-NJT.<sup>3</sup>

### **What are my distribution options?**

When you are eligible for a distribution, you may:

- Leave the value of your account in the Plan until a future date
- Receive:
  - A lump sum
  - A partial lump sum
  - Periodic payments
- Roll over or transfer to another eligible Plan

### **How much will my distribution be taxed?**

Distribution withholdings will vary depending on the type of distribution you request. Generally, a 20% mandatory federal income tax withholding will apply unless you elect a direct rollover of the entire amount or take periodic payments that last longer than 10 years. If you are living in a state with state income tax when taking distributions, state income taxes may also be withheld. By January 31 following the year(s) in which you receive a distribution, you will receive a 1099-R for reporting the distribution amount.

### **What happens to my money upon my death?**

If you previously selected a payment distribution method, your designated beneficiary(ies) will receive the remaining value of your account, if any, under the method you chose. If no payment distribution method was selected, your designated beneficiary(ies) will receive the remaining value of your account. Your beneficiary(ies) must contact Great-West Retirement Services to request a distribution.

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## **Fees**

### **What fees do I pay to participate in the Plans?**

#### *Recordkeeping and Administrative Fees*

There are no recordkeeping or administrative fees to participate in the Plans.

#### *Investment Management Fees*

There are investment management fees (also known as expense ratios) that vary by investment option. These fees, which are deducted by each investment option's management company (not by NJ TRANSIT or Great-West Retirement Services) before the daily price or performance is calculated, pay for trading and other management expenses. You can find your Plans' collective trust investment option expense ratios on the Web site or in your Plans' performance reports. Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus. For more information on your mutual fund options, please refer to the fund prospectus.

#### *Managed Account Fees*

If you choose the Managed Account option provided by AAG, the annual fee is based on your account balance as follows:

<b>Participant Account Balance</b>	<b>Annual Managed Account Fee</b>
Less than \$100,000	0.65%
Next \$150,000	0.55%
Next \$150,000	0.45%
Greater than \$400,000	0.35%

For example, if your account balance is \$50,000, the annual Managed Account fee would be 0.65% of the account balance. If your account balance is \$500,000, the first \$100,000 would be subject to an annual fee of 0.65%, the next \$150,000 would be subject to an annual fee of 0.55%, the next \$150,000 would be subject to an annual fee of 0.45%, and any amounts over \$400,000 would be subject to an annual fee of 0.35%.

The fee is based on your account balance on the day the fee is debited, and it will be deducted from your account quarterly within the last five to seven business days of each quarter. If you cancel participation in the Managed Account, the fee will be based on your account balance on the date of cancellation and will be deducted within five to seven business days of the cancellation date. For more information on the Managed Account service, visit the Web site at [www.25GONJT.com](http://www.25GONJT.com) and click on the "Reality Investing" tab.<sup>1</sup>

#### *Ameritrade SDB Fees*

If you choose to participate in the Ameritrade SDB option, the annual fee of \$50 will be deducted from your account quarterly, approximately one week prior to quarter end (\$12.50 per quarter). Additional transaction fees also apply. For more information on the SDB option, visit the Web site at [www.25GONJT.com](http://www.25GONJT.com) and click on the "Fund Options" link.<sup>1</sup>

## **Loans**

### **Can I take a loan from my Plan accounts?**

Yes; your 457 and 401(k) Plans allow you to borrow up to 50% of your total vested account balance less the highest outstanding balance in the last 12 months. You must have a minimum vested account balance of \$2,000 to borrow the minimum loan amount of \$1,000. You must have a minimum vested account balance of \$100,000 to borrow the maximum loan amount of \$50,000. There is a one-time \$50 loan origination fee that is charged for each new loan. The origination fee is deducted from the loan amount. For each loan, there is also a \$2 quarterly maintenance fee that is deducted from your account balance. For more information, visit the Web site, click on the "Retirement Planning" tab, scroll to the end of the page and click on "Loan Highlights and Consequences."

### **How do I get more information?**

Visit the Web site at [www.25GONJT.com](http://www.25GONJT.com) or call KeyTalk toll free at (800) 25-GO-NJT (800-254-6658).<sup>1</sup>

Great-West Retirement Services refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates.

Securities, when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Securities available through the Self-Directed Brokerage (SDB) account are offered by Ameritrade. Additional information can be obtained by calling Ameritrade at (866) 766-4015.

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