

Public Service Enterprise Group Incorporated

# A new choice for your investments



**PSEG**

*We make things work for you.*

*Public Service Enterprise Group  
Incorporated Thrift and Tax-Deferred  
Savings Plan*

*Public Service Enterprise Group  
Incorporated Employee Savings Plan*

## April 2008

Investing for retirement can be challenging, especially if you're not an expert. Even if you are an experienced investor, you may not have the time or interest to actively manage your account in the PSEG Thrift Plan or the PSEG Employee Savings Plan.

To provide a convenient investment strategy for plan participants, PSEG has added Vanguard® Target Retirement Funds as investment options in the PSEG Thrift Plan and the PSEG Employee Savings Plan.

These funds are offered in addition to the Core Funds currently available in the plans, so that you can choose the investment approach that works best for you. You can put your investments on autopilot with a Vanguard Target Retirement Fund or actively manage your investments through any of the Core Funds.

# Investing is easy with these one-decision funds

With Target Retirement Funds you have only one decision to make—when you expect to retire. Vanguard does the rest, assembling and managing the mix of stocks, bonds, and short-term reserves appropriate for your stage of retirement planning.

Suppose you're planning to retire in 18 years. You might consider investing in Vanguard Target Retirement 2025 Fund. It's that simple.

And with ten Target Retirement Funds to consider, there's one to fit your plans, whatever your age.

Investments in bond funds are subject to interest rate, credit, and inflation risk. Foreign investing involves additional risks including currency fluctuations and political uncertainty.

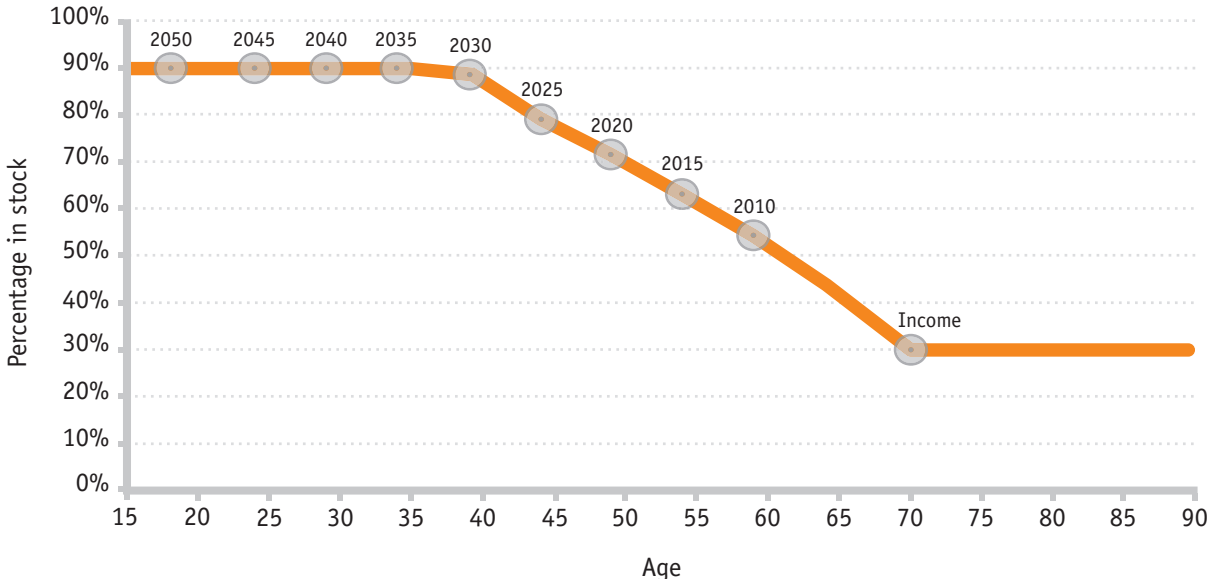
### One fund may be all you need

A single Target Retirement Fund can give you an efficient, well-diversified portfolio—designed and managed according to your stage in life. Just keep in mind that although Target Retirement Funds can simplify investment selection, all mutual fund investing is subject to risk. Diversification does not ensure a profit or protect against a loss in a declining market. Each Target Retirement Fund invests in up to seven broadly diversified Vanguard funds and is subject to the risks associated with those underlying funds. Target Retirement Funds are well balanced; they can include a mix of U.S. stocks, European and Pacific stocks, U.S. bonds, and money market instruments.

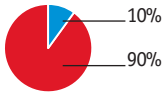
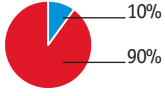








Like a plane lining up for a smooth landing, your investment risk level will gradually descend as you near and enter retirement. You'll never have to adjust your investment mix. Investment professionals do it all for you automatically according to a predetermined schedule.

And that means less work and worry for you.

Allocations shift over time



## Vanguard Target Retirement Funds

| Your Age at Year-End | Potential Fund Choice            | Investment Mix*  |
|----------------------|----------------------------------|--|
| 18–25                | Target Retirement 2050 Fund**    |  10%<br>90%         |
| 26–30                | Target Retirement 2045 Fund**    |  10%<br>90%         |
| 31–35                | Target Retirement 2040 Fund**    |  10%<br>90%         |
| 36–40                | Target Retirement 2035 Fund**    |  10%<br>90%        |
| 41–45                | Target Retirement 2030 Fund      |  14%<br>86%       |
| 46–50                | Target Retirement 2025 Fund      |  21%<br>79%       |
| 51–55                | Target Retirement 2020 Fund      |  29%<br>71%       |
| 56–60                | Target Retirement 2015 Fund      |  36%<br>64%       |
| 61–71                | Target Retirement 2010 Fund      |  45%<br>55%       |
| 72+                  | Target Retirement Income Fund*** |  5%<br>30%<br>65% |

Less aggressive

■ Stocks ■ Bonds ■ Short-term reserves

\*Approximate allocation targets for each fund as of December 31, 2007. Allocations for the date-specific funds will shift (from stocks to bonds and short-term reserves) over time based on an assumed retirement age of 65.

\*\*The target allocation of the funds dated 2035 through 2050 are currently identical; however, as time passes, each fund will gradually shift toward a more conservative allocation depending on the maturity date of the fund.

\*\*\*The Income Fund is for retirees, who will be making withdrawals.

Risk level takes into account the different types of risk applicable to each fund's asset class and investment style.

If you think you'll retire significantly earlier or later, you may want to consider a fund with an asset allocation more appropriate to your situation.

# Q&A

## **What are Target Retirement Funds?**

Target Retirement Funds are one-decision funds designed for the retirement investor who has neither the time nor the interest to create and maintain a retirement portfolio. Each Target Retirement Fund invests in up to seven broadly diversified Vanguard funds—most of which are index-based—and is a complete portfolio in itself.

## **How do I pick the right Target Retirement Fund?**

If you know when you're going to retire, you can pick the right fund. Choose the date-specific Target Retirement Fund that most closely matches the year you expect to retire (2050, 2045, 2040, etc.). For example, if you decide that you're going to retire in 2050, you'd select Vanguard Target Retirement 2050 Fund.

## **What if I don't know when I'm going to retire?**

If you're unsure when you're going to retire, use your full retirement age. This is the age at which you'll be eligible for full Social Security retirement benefits (currently between ages 65 and 67). You can find your full retirement age on the Social Security Administration's website ([www.ssa.gov/pubs/ageincrease.htm](http://www.ssa.gov/pubs/ageincrease.htm)).

## **What if I plan to retire in a year that falls between two Target Retirement Fund years?**

Generally Vanguard suggests that you choose the Target Retirement Fund nearest your expected retirement date. For example, if you expect to retire in 2038, you'd choose Vanguard Target Retirement 2040 Fund rather than Vanguard Target Retirement 2035 Fund.

Vanguard also suggests that you invest in only one Target Retirement Fund.

## **What do Vanguard Target Retirement Funds invest in?**

Vanguard Target Retirement Funds invest in a mix of up to seven other well-balanced and broadly diversified Vanguard funds. These underlying funds invest in U.S. stocks; international stocks; U.S. bonds, including Treasury inflation-protected securities; and short-term reserves. While U.S. Treasury or government agency securities provide substantial protection against credit risk, they do not protect investors against price changes due to changing interest rates. The market values of government securities are not guaranteed and will fluctuate.

Although Target Retirement Funds can simplify investment selection, all mutual fund investing is subject to risk. Diversification does not ensure a profit or protect against a loss in a declining market. Each Target Retirement Fund invests in up to seven broadly diversified Vanguard funds and is subject to the risks associated with those underlying funds.

## **Why do some of the Target Retirement Funds have the same investment mix?**

The target allocations of the funds with target dates 2030 through 2050 are currently identical. However, as time passes, each fund is expected to begin to shift toward a more conservative allocation at the appropriate point in time, depending on the maturity date of the fund.

## **How do Target Retirement Funds change over time?**

Each date-specific fund gradually and automatically shifts its weighting from stocks to bonds and short-term reserves as the target date approaches. (Only Vanguard Target Retirement Income Fund retains its initial allocation.) In effect, the funds are on a "glide path" that eases investors into a more conservative allocation so that they can begin to draw income in retirement.

Approximately five years after the target retirement date, each fund will be invested similarly to Vanguard Target Retirement Income Fund—30% stocks, 65% bonds, and 5% short-term reserves.

#### **What do Vanguard Target Retirement Funds cost?**

Vanguard Target Retirement Funds are no-load, which means you pay no sales commissions. The funds are also extremely low-cost. They pay a portion of the underlying funds' expenses, which range from 0.15% to 0.37% (\$1.50 to \$3.70 for every \$1,000 invested). The “indirect” expenses for the Target Retirement Funds are expected to range from 0.19% to 0.21% (\$1.90 to \$2.10 for every \$1,000 invested). That’s about one-sixth the industry average of 1.22% (\$12.20 for every \$1,000 invested).\*

In addition to the expense ratio, all funds in the PSEG Thrift Plan and the PSEG Employee Savings Plan are charged an administrative fee, which is currently 0.10%.

\*Source: The Vanguard Group and Lipper Inc., 2007.

#### **Can I lose money in a Target Retirement Fund?**

Vanguard Target Retirement Funds can go up and down in value based on market fluctuations. The funds are managed with the long-term goal of retirement in mind, which means they will take certain risks to help your money grow over time.

#### **Are Target Retirement Funds right for me?**

If you don’t enjoy investing, are unsure about what to do, or just don’t have the time, Target Retirement Funds offer an easy and effective solution. Pick one fund and you’re done with retirement investing—for good.

#### **How do I begin investing in a Target Retirement Fund?**

There are basically two ways to start investing. You can move all or part of your current savings into the Target Retirement Fund of your choice. Or you can elect to have future contributions invested in that fund. Of course, the quickest way would be to do both at the same time.

# For more information

For more information about Vanguard Target Retirement Funds, call Vanguard at **800-523-8066** or visit **Vanguard.com** to obtain a prospectus.

If you have questions about the PSEG Thrift Plan or the PSEG Employee Savings Plan or want to review your investment mix, please call

Benefits Express at **800-571-0400** and follow the voice recognition prompts to speak with a Benefits Express representative. Or visit *Your Benefits Desktop* at **www.pseg.com/benefits** and select the Your Benefits Resources button on the right side of your screen.

*For more information about any Vanguard fund, including investment objectives, risks, charges, and expenses, call The Vanguard Group at 800-523-8066 or visit [www.vanguard.com](http://www.vanguard.com) to obtain a prospectus. The prospectus contains this and other important information about the fund. Read and consider the prospectus information carefully before you invest. For information on all other funds, contact the investment providers directly.*

*An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in such a fund.*

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# Managing your PSEG investments just got easier

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*We make things work for you.*

**PSEG**



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