

WITHDRAWAL FROM THE RETIREMENT SYSTEM

All Funds

WHEN MEMBERSHIP ENDS

Active membership in a State-administered retirement system ends if:

- you retire or die;
- you end your employment and withdraw your contributions from the system; or
- you have not been contributing to the system for two years and have less than 10 years of pension membership credit. Two years is the limit for inactive membership before an account is expired.

If your membership has been inactive for two years and you have not filed for and received a withdrawal of contributions, the Division of Pensions & Benefits will send an expiration notice to your last known address (and a copy to your last employer in case they have a more current address) to remind you that your money is still in the system.

Should you return to covered employment before the two-year period ends, you may continue your membership in the retirement system or transfer to another State-administered retirement system if you are qualified to do so. Should you return to covered employment after your account has expired or you have withdrawn your account, you will be treated as a new member in all respects. Service credit from a former membership may be purchased by members returning to the system after withdrawal of the former account.

Your membership will not end two years after your last contribution if:

- you are granted an official leave of absence (the two-year period begins at the end of the leave of absence);
- you are laid off; or
- your position is abolished.

If you lose your job through no fault of your own (laid off or position abolished), your inactive membership can be extended for up to five years in the Police and Firemen's Retirement System (PFRS) or up to 10 years in the Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF). This extension does not mean that a member whose employment terminates before normal retirement age, and subsequently reaches normal retirement age within that five- or 10-year period, can apply for a Service Retirement. It means that if the member returns to employment during that period, pension contributions and service credit can resume in the same account. Please refer to Fact Sheet #4, *Applying for Retirement (PERS and TPAF)* or Fact Sheet #19, *Applying for Retirement (PFRS)* for information regarding normal retirement age for the Tier in which you are enrolled.

Extensions are not automatic. You must provide the Division of Pensions & Benefits with supporting documentation from your employer that evidences layoff, the abolishment of your position, or extension of your leave of absence. Send your written notification, along with supporting documentation, to: Withdrawal Section Supervisor, NJ Division of Pensions & Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

WITHDRAWING CONTRIBUTIONS

If you terminate covered employment before retirement, you may withdraw all your contributions **less any outstanding loan or other obligations** (plus a small amount of interest for PERS or TPAF members; however,

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no interest is paid if you were a member for less than three years). You may withdraw only the money you have contributed, and no partial withdrawal is permitted. Upon your withdrawal, all rights and privileges of membership end.

All withdrawal requests must be submitted using the Application for Withdrawal program of the Member Benefits Online System (MBOS). MBOS is a set of internet-based applications that allow registered members access to information about their pension. To register go to www.nj.gov/treasury/pensions (select "Online Member Services - MBOS").

Paper applications are not accepted. Any paper forms that are mailed or faxed to the Division will not be processed.

Since the employer/employee relationship must be severed, no withdrawal will be paid if there are unresolved legal matters concerning your termination of employment. In addition, a withdrawal claim cannot be processed if you were dismissed from service and are appealing the dismissal.

Workers' Compensation recipients: An employee who is receiving periodic Workers' Compensation benefits as the result of an injury incurred in public employment is considered an active employee and an active member of the pension fund. If you are receiving, or have a case pending involving Workers' Compensation, applying for withdrawal from the pension fund could jeopardize your rights to benefits. See your attorney before submitting the online *Application for Withdrawal*.

In accordance with federal law, income tax must be withheld on certain pension distributions that produce an annual taxable income of \$200 or more, unless the taxable amount is directly rolled over into an individual retirement account (IRA) or a new employer's retirement plan (if applicable). The term IRA refers to traditional individual retirement accounts, Roth IRA, and individual retirement annuities. It does not include a SIMPLE IRA or Coverdell ESA. Payments cannot be rolled over to these types of IRAs.

To qualify as a direct rollover, payment must be made to your IRA or new employer's retirement plan by the Division of Pensions & Benefits. Additional information about the rollover of a withdrawal is available in Fact Sheet #27, *The Taxability and Mandatory Withholding of Income Tax from your Pension Distribution*.

If payment is made to you, the taxable portion is subject to 20 percent income tax withholding. In addition, if you receive payment before age 59 1/2 and you do not roll it over, you may have to pay an extra tax equal to 10 percent of the taxable portion of any payment. If you have any questions concerning this federal law, call the Internal Revenue Service at 1-800-TAX-1040.

You may call the Automated Information System at (609) 292-7524 for general information concerning withdrawals or information pertaining to your particular withdrawal claim.

If you are age 60 or older, or if you have 10 or more years of pension membership credit, you may be eligible for a retirement benefit. When you file for withdrawal you must waive any rights you have to a retirement or death benefit. This written waiver is part of a letter which states the amount of retirement and death benefits to which you would be entitled if you were to apply for retirement.

A withdrawal cannot be processed until all the necessary information has been received from you and your former employer.

This fact sheet has been produced and distributed by:
New Jersey Division of Pensions & Benefits • P.O. Box 295 • Trenton, New Jersey 08625-0295
(609) 292-7524 • For the hearing impaired: TRS 711 (609) 292-6683
URL: <http://www.nj.gov/treasury/pensions> • E-mail: pensions.nj@treas.nj.gov

This fact sheet is a summary and not intended to provide all information.
Although every attempt at accuracy is made, it cannot be guaranteed.
