Withdrawal from the Retirement System

WHEN MEMBERSHIP ENDS
Active membership in a New Jersey 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 contributed to the system for two years.

If your membership has been inactive for two years and you have not filed for and received a withdrawal of contributions, the New Jersey Division of Pensions & Benefits (NJDPB) 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 Should you return to covered employment after your account has expired or you have withdrawn your account, you will be treated as a new member in all respects.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, delaying the two-year period until the end of the leave;
- You are laid off; or
- Your position is abolished.

WITURING 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 with at least three years of service). You may withdraw only the money you have contributed; 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). To log on, go to our website at: www.nj.gov/treasury/pensions

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 retirement system. If you are receiving Workers’ Compensation or have a case pending, applying for withdrawal from the retirement system could jeopardize your rights to benefits. Seek legal guidance before submitting the 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 Education Savings Account (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 NJDPB. Additional information about the rollover of a withdrawal is available in the Tax Information for Pension Distributions Fact Sheet.

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 NJDPB’s Automated Information System at (609) 292-7524 for general information concerning withdrawals or information pertaining to your particular withdrawal claim.

If you are of retirement age in the tier and retirement system in which you are enrolled, or if you are vested, you may be eligible for a retirement benefit. If you choose to withdraw, you must waive any rights you have to a retirement and possible life insurance benefit. This written waiver is part of a letter which states the amount of retirement and possible life insurance 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:

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