

A PUBLICATION OF THE NEW JERSEY DIVISION OF PENSIONS AND BENEFITS

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 and 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. You should then file a withdrawal application since contributions left in the system for over two years do not accrue interest.

Should you return to covered employment before the 2-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 Should you return to covered employment after your account has expired or you have withdrawn your account, you will be treated as a new member in all respects.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 also 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 5 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). **Extensions are not automatic.** You must provide the Division of Pensions and Benefits with supporting documentation from your employer that evidences layoff, the abolishment of your position, or extension of your leave of absence.

WITHDRAWING CONTRIBUTIONS

If you terminate covered employment before retirement, you may withdraw all your contributions plus a small amount of interest (PERS and TPAF only) **less any outstanding loan or other obligations**. 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).

To withdraw your pension contributions, you must be a registered MBOS user and submit the *Application for Withdrawal*. MBOS is a set of Internet based applications that allow registered members access to information about their pension. To register go to www.state.nj.us/treasury/pensions (select "Online Member Services - MBOS").

Paper applications are no longer in use or accepted. Any paper forms that are mailed or faxed to the Division will not be processed.

Exceptions to the MBOS Application for Withdrawal

While members are required to process withdrawal applications through MBOS, members are not able to register or log onto MBOS once the account has expired. This usually occurs after two consecutive years have passed without a pension contribution.

Members with expired accounts can still withdraw their contributions, but must write or send an e-mail to the Withdrawal Section of the Division of Pensions and Benefits. In any correspondence members should include their full name, pension membership number or Social Security number, a current mailing address and e-mail address. Upon determination of the status of the account, the Division will provide additional instructions to the member for completing the withdrawal.

Please note that this is the **only** circumstance where a paper withdrawal application may be permitted. Limited access to a computer or a reluctance to use MBOS are not considered sufficient circumstances for accepting a paper withdrawal application for processing. Any paper Application for Withdrawal received by mail will be returned to the member with instructions on submitting the request through MBOS.

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 and individual retirement annuities. It does not include a Roth IRA, simple IRA, or education IRA. 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 and 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) 777-1777 for general information concerning withdrawals or information pertaining to your particular withdrawal claim.

If you are age 60 or older or if you have ten 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:

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This fact sheet is a summary and not intended to provide total information.

Although every attempt at accuracy is made, it cannot be guaranteed.
