

NJIT

New Jersey's Science &
Technology University

THE EDGE IN KNOWLEDGE



NJ/NJIT “Early Retirement” Programs

Program	Year	Benefit	Eligibility
State	1991	100% of salary	50 or 25 years
State	1993	100% of salary	50 or 25 years
State	2002	60% of salary	50 or 25 years

Can NJIT run an early retirement program?

1979 Case Law (Fair Lawn) in NJ establishes that a school board could not reward retirement rather than quantity of work

Fair Lawn upheld and cited as the premise that only the State can run an early retirement program

In 1999 NJIT petitioned the State to run an early retirement program (25 years, 90% salary; 30 years, 100% salary), but it was not approved



NJ/NJIT “Early Retirement” Programs

NJIT informal retirement incentive effort

Instituted around 2000

Not a formal early retirement program

Generally 100% of salary, one lump sum or one years paid leave with benefits

“NJIT Faculty Separation Incentive Program”

Began development in spring of 2006 (See Budget Task Force documents on Highlander Pipeline)

Negotiated with the State through January 2007 and received approval

15 to 25 yrs: $\text{Years} \times (4/100) \times \text{Salary}$

> 25 yrs: $\text{Salary plus } \$1000/(\text{yrs of service})$



NJIT Faculty Separation Program

Is the incentive payment(s) taxable?

Yes, it is compensation for tax purposes, and NJIT is required to withhold.

Can any of the payment be tax sheltered for retirement?

Whether or not any of the payment can be tax sheltered hinges on how the Internal Revenue Code is interpreted and applied, which should be determined through consultation with your tax advisor.*

Will the State make the 8% contribution to an Alternate Benefits Plan?

No, the payment is not base salary on which the 8% contribution is made. As such, the 5% employee contribution cannot be made.

Once the plan closes, there are no plans for any follow-on plans in the near future nor will separation be individually negotiated.

*Updated following the Faculty Meeting presentation due to new information received concerning whether or not the incentive payment is compensation or severance.