

RUTGERS, THE STATE UNIVERSITY OF NEW JERSEY

FACULTY REINVESTMENT PROGRAM (FRP)

SPRING 2010

FREQUENTLY ASKED QUESTIONS

1. QUESTION: What is the Faculty Reinvestment Program (FRP)?

ANSWER: The FRP is a program by which the University seeks to facilitate the hiring of new faculty in order to foster innovation and to respond more quickly to inter-disciplinary and cross disciplinary trends, thereby serving the academic mission of the University. Eligible faculty will have a limited opportunity to relinquish their tenure and to resign or retire in exchange for a separation payment.

2. QUESTION: Why is the FRP being offered?

ANSWER: The FRP is being offered to serve the academic mission of the University by reducing the size of the tenured faculty and by permitting the hiring of new and additional faculty.

3. QUESTION: Who is eligible to participate in the FRP?

ANSWER: To be eligible to participate in the FRP, the faculty member:

- a) must be a full-time tenured faculty member,
- b) must be a member of the Alternate Benefit Program,
- c) must be at least 65 years of age on June 30, 2010,
- d) must have at least 25 years of service to Rutgers (based upon initial date of hire) on June 30, 2010, and
- e) must not have previously signed a written agreement to resign or retire.

4. QUESTION: Is participation in the FRP voluntary?

ANSWER: Yes. The choice whether to participate in the FRP rests solely with the faculty member.

5. QUESTION: Must I retire in order to participate in the FRP?

ANSWER: No. But you must relinquish your tenure effective July 1, 2010. You may resign or retire.

6. QUESTION: If I elect to participate in the FRP, is it guaranteed that I will be able to do so?

ANSWER: The deans, acting on behalf of the University, can approve, disapprove or defer for one year applications under the FRP. In order to make this program available throughout the University, certain academic units, likely the smaller units, may not be in a position to offer this program to all eligible faculty members who desire to participate. There is a possibility that certain faculty members will be determined to be so critical to the needs of their department or unit that their applications to participate will be disapproved or deferred for one year. Budgetary stringency also may limit participation. In addition, where the number of eligible faculty members in a department who wish to participate is ten percent (10%) or more of a department's total faculty, participation may be limited. Where participation is limited, priority will be given to those faculty members with the most years of service. It is anticipated, however, that the vast majority of eligible faculty members who elect to participate will be able to do so.

7. QUESTION: What separation payment will I receive if I meet all of the eligibility requirements of the FRP and my participation is approved by the University?

ANSWER: You will be paid by Rutgers an amount calculated on what your annual base salary would have been on July 1, 2010 had you not resigned or retired. In other words, any enhanced salary increase for 2009-2010 which has been deferred to July 1, 2010 pursuant to a Memorandum of Agreement between the University and the Rutgers Council of AAUP Chapters, AAUP-AFT, will be included in the salary figure which is used to calculate the payment. The payment will be 2% of annual base salary for every year of service to Rutgers up to 25 years plus an additional 5% of annual base salary per year for service beyond 25 years. There is cap of 175% of the faculty member's annual base salary.

8. QUESTION: If I elect to participate, when will I be paid?

ANSWER: You have three payment options. You can elect to receive one lump sum by August 31, 2010. Alternatively, you can elect to receive one-half by August 31, 2010 and the other one-half between January 1, 2011 and

March 5, 2011. The third choice is to receive the entire amount between January 1, 2011 and March 15, 2011.

9. QUESTION: Is the payment taxable?

ANSWER: Yes. The University is required to make all withholdings required by law, such as federal and state taxes; FICA (social security), if applicable; and Medicare. You will be responsible for properly reporting your payment to the appropriate taxing authorities and paying all taxes associated with your payment.

10. QUESTION: When do I have to decide whether to participate in the FRP?

ANSWER: The election period is limited. If you choose to participate, you must submit an Application and Election Form by May 15, 2010.

11. QUESTION: What else must I submit if I wish to participate?

ANSWER: You must submit simultaneously with the Application and Election Form the Release of Claims form. They must be signed, dated and submitted together.

12. QUESTION: Will retirement account payments be taken out of the payment and will employer contributions to my retirement account be made?

ANSWER: No. This payment does not constitute base salary for purposes of Alternate Benefit Program retirement contributions. Therefore, no portion of the payment may be contributed to your Alternate Benefit Program account, and no employer contributions can be made based upon the payment.

13. QUESTION: May I defer taxes on the payment?

ANSWER: Payments made in 2010 are included in gross income and taxable in 2010. Payments made in 2011 are included in gross income and taxable in 2011. The University cannot furnish tax advice to you and, therefore, cannot respond to inquiries concerning how the payment affects a faculty member's tax liability.

14. QUESTION: How can I be assured that Rutgers is permitted to offer the Faculty Reinvestment Program (FRP)?

ANSWER: The FRP was established by the University and the AAUP-AFT. Both parties have reviewed the program carefully. In addition, officials in Trenton raised no concerns when briefed on the program and reaffirmed this view when the program was announced. The FRP does not adversely affect a State pension program because only faculty who are in the Alternative Benefit Program are eligible to participate in the FRP. The ABP is a "defined contribution" plan in

which the State contributes 8% of salary only while the faculty member is employed. The State has no liability for future benefits or contributions. The payment that Rutgers will make pursuant to the FRP will not be made by or through the ABP.

15. QUESTION: Does my participation in the FRP affect other benefits to which I am entitled under the Alternate Benefit Program?

ANSWER: Nothing in the FRP is intended to alter or enhance the benefits to which you are entitled by virtue of your participation in the Alternate Benefit Program. The Alternate Benefit Program is administered by the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, pursuant to law and applicable regulations. Rutgers makes no representations of any kind concerning benefits to which you are entitled under the Alternate Benefit Program.

16. QUESTION: What if I elect to participate and I die before payment is made?

ANSWER: If you die prior to July 1, 2010, no payment will be made to or for your benefit under the terms of the FRP. If you die on or after July 1, 2010, any payment that you otherwise would have received had you survived will be made to your estate in the same manner and subject to the same payment schedule as initially elected by you.

17. QUESTION: Does my eligibility to participate in the FRP mean that I have 25 years of pension credited service?

ANSWER: Not necessarily. Only the State of New Jersey Division of Pensions and Benefits can confirm the amount of your pension credited service. You may speak with University Human Resources, which can assist you in confirming with the State Division of Pensions your pension credited service.

18. QUESTION: If I elect to participate, can I change my mind?

ANSWER: Yes. After you sign the Application and Election Form and the required Release form, you will have seven (7) days to revoke. If you revoke you will not receive any payment.

19. QUESTION: If a faculty member resigns or retires effective July 1, 2010, up to when will health benefits continue?

ANSWER: If the member resigns or retires effective July 1, 2010, the active employee coverage for health benefits ends on July 31, 2010.

20. QUESTION: If the faculty member resigns, what is the status of health benefits thereafter?

ANSWER: If a faculty member who is covered under the State Health Benefits Program resigns, the faculty member may elect COBRA coverage for up to 18 months. This is the link to 2010 COBRA Rates:
<http://uhr.rutgers.edu/documents/COBRARates2010.pdf>

21. QUESTION: If a faculty member retires effective July 1, 2010, what is the status of health benefits?

ANSWER: The status of the health benefits at retirement is based on the number of years of pension credited service the member has at retirement. The number of years of pension credited service is maintained by the State of New Jersey Division of Pensions and Benefits. If a faculty member does not have 25 or more years of pension credited Service, the member may elect the Retiree Health Coverage offered by the State of New Jersey, and the member is required to pay the full cost. This is the link to Retiree Rates (full cost):

http://www.state.nj.us/treasury/pensions/hb_open_enrollment_2009/retired-state-full-cost.pdf

If a faculty member has 25 or more years of pension credited service prior to July 1, 1997, currently the member may elect the Retiree Health Coverage (medical and prescription) at no cost to the retiree. The state will also reimburse the retiree the Medicare Part B premium for each covered individual

If a faculty member has 25 or more years of pension credited service between July 1, 1997 and June 30, 2007, the member may elect NJ Direct 15, Aetna or the CIGNA HMO (medical and prescription) at no cost to the retiree. If the member elects NJ Direct 10, the member must pay a premium. This is the link to 2010 Premiums for NJ Direct 10:

http://www.state.nj.us/treasury/pensions/hb_open_enrollment_2009/hr-0744.pdf

If the member attained 25 or more years of Pension-Credited Service between July 1, 1997 and June 30, 2007, the state also will reimburse the retiree \$46.10 toward the cost of the Medicare Part B premium for each covered individual.

If a faculty member has 25 or more years of pension credited service on or after July 1, 2007, there is a health benefits premium contribution of 1.5% of 50% of the highest salary received in the five years prior to retirement for ABP members. This retiree contribution will be waived if the retiree participates in the SHBP Retiree Wellness Plan. This is the link to the SHBP Wellness Plan Information:

<http://www.state.nj.us/treasury/pensions/shbp-wellncss-program.shtml>

All retirees are required to pay a premium for Retiree Dental coverage. This is the link to 2010 Retiree Dental Rates:

http://www.state.nj.us/treasury/pensions/hb_open_enrollment_2009/retiree-dental-rates.pdf