

1978

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Faculty Senate

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EASTERN ILLINOIS UNIVERSITY

FACULTY SENATE

Minutes of ~~October~~<sup>November</sup> 7, 1978

MEMBERS PRESENT: Carey, Hamand, Helwig, James, Johnson, Knoop, Pierson, Rearden, Rogers, Shuff, Smith, Summers, Weiler, Wood

MEMBERS ABSENT: Rang

FACULTY VISITORS: Rommel

STUDENT VISITORS: Hamilton, Pugh

The meeting was called to order at 2:05 P.M.

The minutes of October 31 were approved.

COMMUNICATIONS:

None

REPORTS:

1. Executive Committee. Shuff reported that the President is appointing a Committee to examine the Summer Rotation Policy.

The first meeting of the Committee on Budget and Planning will be held on Friday, November 17. In order to achieve a cross representation of the faculty on the Committee, the Executive Committee divided the faculty into four areas with one member appointed from each:

Area #1 - L & S -- Sciences and Math (Chemistry, Botany, Zoology, Geography, Geology, Math, Psychology)

Area #2 - L & S -- Humanities (Economics, English, Foreign Language, History, Philosophy, Political Science, Sociology, Speech Communications, Speech Pathology)

Area #3 - Schools of Business, Fine Arts, Home Economics and Technology

Area #4 - Schools of Education, HPER, Library

The Executive Committee reported the following nominations:

Area #1 - L & S -- Sciences and Math - Gary Wallace (Geography)  
Alternate- Herb Morice (Psychology)

Area #2 - L & S -- Humanities - Carol Elder (English)  
Alternate- David Mauer (History)

Area #3 - Jerry Rooke (Accounting)

Area #4 - Donald Smitley (School Services Personnel)  
Alternate - J. W. Sanders (HPER)

Knoop moved and Carey seconded a motion to accept the nominations. The motion passed unanimously.

The committee will report to the Senate on a regular basis. The decision as to whether the Committee will be appointed or elected will be made at a later date, before Spring elections.

2. George Rommel - Tax Sheltering of Pension. Rommel reported on the adoption by the Board of Regents of a policy which would enable faculty contributions to the pension retirement fund to come under tax shelter. He cited figures showing that the plan would amount to a considerable savings over a period of years. Mr. Edward Gilbala, Director of our retirement system, hopes to see the 13 systems under the retirement system become a part of the plan, and requests that the Senate consider it. Rommel encouraged the Senate to approve the plan and to write to Mr. Gibala, President Marvin and the Board indicating support. (See Appendix)

Carey moved and Wood seconded a motion to support the Rommel recommendation that employee's contributions to the pension-retirement fund be tax sheltered. The motion passed with two abstentions.

OLD BUSINESS:

1. Knoop - Art Gallery. Knoop requested consideration of the Agenda item pertaining to the Art Gallery. He informed the Senate that the Art Gallery is to be moved from the Gallery in Old Main to the Billiard Room in the Student Union at the end of November despite the fact that there is a full schedule of shows through the end of the Summer Session. He pointed out that the decision to move the Gallery was without the knowledge of the faculty and/or student body. Knoop indicated that his statement was one of protest and requested the matter be removed from the Agenda. Because the question is a matter of principle, the wish of the Senate was to keep it on the Agenda.
2. Revised Personnel Policies and Procedures. Discussion revolved around the role of the Senate in approving the revised Personnel Policies and Procedures. Knoop moved and Hamand seconded a motion that the Senate delay action on the revised PPP until such time as a personal copy of it is made available to each Senate member.

The motion passed unanimously.

3. Constitution. Scott reported that the 1978/79 Faculty and Administration list sets forth new divisions which closely reflect the definition of faculty recommended by the Constitutional Revision Committee. Scott moved and Carey seconded the following motion:

The faculty shall include: a) regular full-time members of academic departments as listed in the 1978-79 department faculty list (inclusive of departmental chairpersons); and b) administrative staff under the Provost and Vice President for Academic Affairs except for those staff members reporting directly to said Vice President.

Carey moved to amend the motion to include "the Director of Cooperative Education." The motion died for lack of a second.

The motion passed - 10, Yes - 4, No.

Wood requested a roll call vote.

Carey	Aye	Reardon	Aye
Hamand	Nay	Rogers	Aye
Helwig	Aye	Shuff	Aye
James	Aye	Smith	Aye
Johnson	Nay	Summers	Aye
Knoop	Nay	Weiler	Aye
Pierson	Aye	Wood	Nay

NEW BUSINESS:

1. Reardon requested that the Budget Committee try to find out what has happened to the Faculty Research Funds which have been reduced.

The meeting adjourned at 3:55 P.M.

The next Faculty Senate meeting is scheduled for November 14 in the University Union Martinsville Room at 2:00 P.M.

June Johnson  
Faculty Senate Secretary

AGENDA:

1. Personnel Policies and Procedures
2. Constitution
3. Tabled Motion
4. Parking
5. Equal Opportunity Administrative Internship Program
6. Summer School
7. Art Gallery
8. Appeal from Coordinator

STATE UNIVERSITIES RETIREMENT SYSTEM  
 50 Gerty Drive  
 Champaign, Illinois 61820

TAX SAVINGS THROUGH TAX-SHELTER OF 8 PERCENT EMPLOYEE CONTRIBUTIONS

The following table shows the increase in take home pay which would be available to employees, if the 8 percent employee retirement contribution is tax-sheltered by administrative action of a university governing board or an amendment to the "Illinois Pension Code". Assume 1977 Federal Tax Table B (married, filing jointly and three exemptions).

Adjusted Gross Income	Federal Income Tax	State Income Tax	8 Percent Pension Deduction	New Adjusted Gross Income	New Federal Income Tax	New State Income Tax	Increase In Take-home Pay	
							Amount	Percent
\$ 9,600	\$ 539	\$165	\$ 768	\$ 8,832	\$ 409	\$145.80	\$ 149.20	1.55
14,400	1,405	285	1,152	13,248	1,182	256.20	251.80	1.75
19,200	2,511	405	1,536	17,664	2,136	366.60	413.40	2.15
24,000	3,787	525	1,920	22,080	3,255	477.00	580.00	2.42
30,000	5,669	675	2,400	27,600	4,880	615.00	849.00	2.83
36,000	7,905	825	2,880	33,120	6,803	753.00	1,174.00	3.26
40,000	9,541	925	3,200	36,800	8,217	845.50	1,404.00	3.51

A quick glance at the above table may lead one to believe that tax-shelter of the 8 percent employee contribution would be of importance mainly to the higher salaried employees, because the percent of increase in take-home pay is greater for those in the higher salaried ranges. However, this is not necessarily correct. A person in a lower salary range may be in a zero federal tax bracket after retirement, and pay no tax on the 8 percent contribution when he received his pension. On the other hand, a person in the higher salaried range likely will be required to pay a substantial federal tax when he receives his pension.

The portion of the increase in take-home pay which is applicable to the Illinois income tax likely would be a tax "savings", because distributions from government or qualified pension plans are exempt from Illinois income tax. Thus, the Illinois income tax would not be paid on the 8 percent employee contribution currently or at retirement.

The portion of the increase in take-home pay which is applicable to federal income tax may or may not result in a tax "savings". This will depend upon the difference between the employee's federal tax rate at the time the 8 percent employee contribution is tax-sheltered and the time he receives his pension or refund of the contributions. If an employee is over age 65 at retirement and has a spouse over 65, he could receive income of up to \$10,600 and still be in a zero tax bracket. Thus, it is possible that tax-shelter of the 8 percent contribution may result in a 100 percent federal tax saving for the lower salaried employees who qualify for pensions of less than \$10,600.

Advantages of tax-shelter

Following are the five major advantages of tax-shelter of the 8 percent employee contributions:

1. Elimination of the 2 1/2 percent Illinois income tax on the employee contributions for all employees,
2. Elimination of the federal income tax for many lower salaried employees and likely reduction of federal tax for others,
3. Opportunity to earn investment income over a long period on the increase in take-home pay which results when federal taxes are deferred and the state tax is eliminated,
4. Ability to pay federal taxes in the future with inflated dollars, and
5. Possible savings in federal estate taxes, because the portion of death and survivor benefits which is applicable to employer contributions is not considered as part of the estate in determining the federal estate tax.

The following example will illustrate the savings which would be possible by tax-shelter of the 8 percent employee contribution for a 30-year employee whose beginning annual salary is \$10,000 and who receives annual salary increases of 5 percent. (Assume four exemptions and the 1977 Federal Tax Table B - married, filing joint return.) The increase in take-home pay would be \$16,930. If this was invested at 6 percent over the 30-year employment period, the total savings plus interest would amount to more than \$36,300. If the employee contributions were tax-sheltered, his additional tax during the first three years after retirement would be about \$7,000. Thus, the tax-shelter could result in a net savings to the employee of \$29,300 (\$36,300 - \$7,000).