1966

Report of the Faculty Welfare Committee, recommending that the Senate ask the administration to take the necessary steps to make Tax-Sheltered-Annuities available to the faculty and administration, Note: This is a reconsideration of Res. 57, passed by the Senate 3/18/65, returned unsigned with an explanation on 4/9/65 and referred to again in a letter from President Horn dated 10/1/65.

University of Rhode Island Faculty Senate

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TO:  President Francis H. Horn
FROM: Chairman of the Faculty Senate

1. The attached RESOLUTION, titled Report of the Faculty Welfare Committee, recommending that the Senate ask the administration to take the necessary steps to make Tax-Sheltered-Annuities available to the faculty and administration, is forwarded for your consideration. Note: This is a reconsideration of Res. 57, passed by the Senate 3/18/65, returned unsigned with an explanation on 4/9/65 and referred to again in a letter from President Horn dated 10/1/65.

2. The original and two copies for your use are included. The original and two copies for your use are included.  

3. This RESOLUTION was approved by vote of the Faculty Senate on January 20, 1966.

4. After considering this resolution, will you please indicate your approval, disapproval or other comment and return the original copy, completing the endorsement below.

February 1, 1966
(date)

endorsement TO: Chairman of the Faculty Senate
FROM: The University President

1. Returned.
2. Approved . Disapproved . Other (explanation attached).

(date)

Original received and forwarded to the Secretary of the Senate and Registrar for filing in the Archives of the University.

(date)

I. Reconsideration of Tax-Sheltered Annuity Resolutions

On reconsidering the resolution on tax-sheltered annuities passed by the Senate last year and subsequently referred back to the committee, it became apparent that the Senate and faculty should have additional information on the operation of tax-sheltered annuity plans.

What is a Tax-Sheltered Annuity Plan?

Tax-Sheltered Annuity plans are personal, tax-favored retirement plans for teachers and other employees of public educational institutions and employees of certain tax-exempt organizations. Employees in these occupations and organizations have the right to defer the Federal income tax on a portion of their salary used to fund the purchase of tax-sheltered annuities.

The tax-sheltered annuity plan is, in effect, a voluntary individual pension plan whereby employer contributions (provided by the employee through a bonafide salary reduction or by foregoing a salary increase) are used to fund the purchase of an annuity on the employee's life. These contributions, which must be held within certain limitations (approximately up to one-sixth of the employee's annual salary), are not currently taxable to the employee. The employee pays a tax on the annuity benefits only when received. Thus the tax is imposed at a time when the employee normally will be retired and in a lower tax bracket.

The tax-sheltered annuity plan is relatively simple, there is no compulsory group enrollment and it requires no qualification with the Internal Revenue Service in order to gain the tax advantage. An employee merely agrees, on an individual basis, to a salary reduction or to forego a current salary increase as a means of providing the funds for the purchase of the tax-sheltered annuity. The employer makes application for the annuity on the life of the employee and names the employee as the owner of the annuity. No physical examination is required. Once the agreement is signed and the plan is in operation, the role of the employer is simply a matter of making the periodic premium payments on the annuity. What is requested by the resolution being submitted to the Senate for action is, in effect, that the administration ask the financial offices to be willing to handle the necessary bookkeeping.
Last year the Faculty Welfare Committee submitted a resolution on the tax-sheltered annuity plan which was passed by the Senate, but which the administration believed was too restrictive as it was limited to the TIAA plan. While this plan might be attractive to many faculty members, there are plans offered by commercial companies (such as Northwestern Mutual and Phoenix Mutual) which are much more flexible. For example, the TIAA plan allows benefits only as an annuity and funds may not be recovered earlier if needed, as is possible with the commercial companies. The committee now recommends that the employee be allowed a choice of companies in order to select a plan which might best suit his individual needs.

Recommendation

The committee recommends that the Senate ask the administration to take the necessary steps to make Tax-Sheltered Annuities available to the faculty and administration.

II. Items under Consideration

The Faculty Welfare Committee is actively investigating the following:

Housing.
Compilation of data on fringe benefits available at publicly supported universities in the North Atlantic area.
Workmen's Compensation as applied to faculty and administration.
Benefits to Research personnel.
Benefits to faculty on leave.
Responsibility of faculty for students on campus and field trips.
Benefits to immediate family of faculty member who retires or dies in service (reconsideration).
Privileges for professors emeriti.
Blood Bank program.

Stanley I. Berger
Donald E. Burns
Walter J. Gray
Walter C. Mueller
Constance M. Palmer
Norris P. Wood
Leonard R. Worthen
A. Ralph Thompson, Chairman
Professor Elizabeth W. Crandall
Chairman, Faculty Senate
Quinn Hall, Campus

Dear Elizabeth:

This is to put into the record that I am approving Bills 80, 82, and 83, and Resolution 81. Mr. McClure will arrange to have the contents of Resolution 81 put before the Board at its next meeting.

With regard to Resolution 84, we are proposing to the Board of Trustees an assignment of the salary adjustment funds in approximately the magnitude as recommended by the salary committee. There is one major change, which Dr. James will convey to you in due course, if it is approved by the Board.

I am in accord, as are my colleagues, with the second part of the Resolution. I would point out, however, that the salary adjustment is in no sense a cost-of-living adjustment. It is an attempt being made to bring our average salaries up to the average salaries for each rank among the North Atlantic state universities. I am hopeful that what we are accomplishing for next year will go a long way toward achieving that goal.

In view of the fact that (a) the Board of Trustees has contracted with a management consultant firm to study the whole question of faculty salaries, schedules, and fringe benefits; and, (b) that I am to be out of the country for the next month, I shall have to decline to respond to the Senate's request for a clarification of my own views on the matter of basic contract time.

Dr. James will act in my stead while I am away, and I have indicated to my colleagues that no important decisions are to be postponed because of my absence.

Keep the home fires burning; I'll see you in March.

Cordially,

Francis H. Horn
President

cc: Dr. F. Don James