

Division of Professional Relations
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FROM THE EDITOR . . .

ACS Bylaws

Faithful readers will recall the saga of the floating councilor. The number of councilors that this Division is entitled to varies with the level of membership, but not in a totally predictable way. Much depends on the wishes of the Council Policy Committee. That group has the power to set the cutoff limits which define each category of Divisional councilor representation, from one to four. In the past, the DPR lost a Councilor, even after a large membership increase, because of this somewhat arbitrary power of the CPC.

Several of us sought to remedy this by submitting to Council a proposed bylaw amendment which would require that cutoff levels, once established, would remain in effect until they became "mathematically unworkable" (the phrase used in conjunction with the original cutoffs specified in the bylaw change effected several years ago which set up the current system).

Unfortunately, insufficient support was received at the last Council meeting to get this minimal change enacted. The bylaw change was sent back for further work, but it will be brought up again. Speak to your local section councilors, and urge them to support our petition on councilor representation for divisions.

You might point out to them that this will have no effect at all on councilor representation from local sections (that is determined separately), and the proposed change would be of great benefit to national divisions, which need the stability for planning purposes.

Concern

At its last meeting, the DPR Executive Committee accepted the following as a statement of concern, and passed it on to the ACS Committee on Chemistry and Public Affairs:

"The American Chemical Society recognizes and deplors the wholesale deprivation of human rights suffered by blacks living in South Africa under apartheid. Recent events in that country show clearly that the South African government is ruthless in its pursuit of its apartheid policies in spite of worldwide exhortations to the contrary. It is clear as well that as the South African government becomes increasingly isolated through its political actions against its black citizens, it increasingly values its contacts with the outside world. Such contacts, be they in sports, culture, commerce, the arts or science, are significant for they are taken by South Africans as signs of support for apartheid.

"We believe that even passive and seemingly innocent participation in any event in South Africa is interpreted by South Africans as de facto support of apartheid. Consequently, we ask that ACS members anticipating travel to South Africa for whatever reason, give such travel the deepest thought, weighing the possible humanitarian value of their visit against the unavoidable implication that such visits support apartheid."

Commercial

It has become traditional to close these columns with an appeal for new members. We hope you like what your Division is doing. We regain a second Councilor for 1986 who will join me and the rest of the very active members of your Executive Committee. We have a voice, and we have some effect, but our efforts would be much greater and our voice even louder if we were a larger Division. Elsewhere in the Bulletin you will find a statement from Margil Wadley and an application form. Please circulate them widely.

—Dennis Chamot

PENSION OPTIONS—WHICH WAY TO GO?

Louis J. Sacco, Jr.
Chicago, Illinois

There was a time, not too many years ago, when the decision around retirement was an exceedingly simple one. It involved primarily the "when" and nothing else. That decision is frequently out of our hands today, especially when involuntary programs take effect. Even when the timing of retirement is ours to choose, that decision is relatively simple compared to others that must be confronted.

A difficult choice frequently encountered today is the pension option decision. Simply stated, how do you want the money in your pension fund delivered to you? This is precious money, and we want it to enhance our later years to the fullest. How can you make the best possible decision?

If the employee is covered under a *defined benefit* pension plan, there is essentially no choice. The pension is simply distributed in monthly installments from an established annuity. The benefit, clearly stated far in advance, is based solely on years of service and highest salary level reached. Generally, if the employee has a spouse, the spouse will receive one-half of the monthly pension when the employee dies. The pension continues until the death of the spouse and whatever remains of the annuity thereafter reverts back to the fund. Losses can be considerable for an individual couple if death comes sooner rather than later.

Under a *defined contribution* pension plan, the company invests a stated amount of money in the employee's name throughout his employment. This is sometimes a percentage of salary, sometimes a percentage of company profits. It can be both. The employees do not know until retirement how much money is available for them. If investments go up, there is more money; if they decline, there is less money available. The defined contribution pension plan can affect the life style of the employee for the rest of his or her life.

There are three choices:

1. Leave all of the money with the company and accept the pension in guaranteed monthly installments, generally for the life of the employee.

2. Take a lump-sum payout and "roll it over" into an individual retirement account. Under the law, when this is done taxes are deferred until money is withdrawn. This "roll-over" is different from a regular annual IRA into which an individual can contribute just \$2000.00 of earned income. In fact, in the year of a lump-sum roll-over one can still contribute \$2000.00 to a normal IRA or even to the account itself. The lump sum roll-over need not and ought not include money contributed by the employee for which they have already been taxed. This can be separated, withdrawn or retained for use or for further investment. Of course, once the roll-over has

been established any withdrawal before age 59.5, if the employee retires quite early, would be subject the normal 10% up-front penalty under the current law.

3. Accept the lump-sum payout, forego the roll-over opportunity, and simply pay the taxes. Ten-year up-front income averaging is generally available to most employees and this will reduce the load considerably. By this method, the tax is figured on only one-tenth of the total payout. The rate, of course, is much lower on the part rather than on the whole amount.

This benefit is more clearly seen and understood by an example:

A person, after long service and a rewarding growth in salary, could conceivably retire with a lump-sum payout of \$200,000.00. The tax may be figured on one-tenth of this sum or \$20,000.00 plus the zero bracket applicable at the time; let us still use \$2300.00. The tax from the tables is approximately \$3800.00 on this sum. To compute the tax on the entire amount, the tax is simply multiplied by 10 to give \$38,000.00. This is dramatically different from an approximately \$90,000 tax which would be due on \$200,000 based on the highest tax rate, which would otherwise apply.

The ten year method is a tax computation system only. What remains after the tax is paid belongs to the employee at once and is subject to no further taxation throughout the lifetime of that employee.

Ten-year income averaging may only be used *once* after age 59.5. So, if it has already been used, the employee with the lump-sum payout is out-of-luck. Further, the entire sum (in our example \$200,000) must be averaged. To average a part is *not* permitted. All must be averaged or all must be retained in an IRA. Finally, a person has 60 days from receipt of the lump-sum to decide what to do with it.

Of course, it should be said these options are not only available to employees who retire but, are also available to *any* employee leaving a job that has a defined contribution pension plan. A profit sharing plan would be an example of this. The amount of money here, however, is likely to be less than that accumulated by a long time employee upon retirement. It is permissible to roll this money over into an IRA regardless of the person's age or the nature of their departure from a particular employer.

Only about 30% of employee departees that are offered a defined contribution cash-out accept it. Even among professionals with substantial education there is a general reluctance to the acceptance of a large sum of money to manage. To them, the security of a monthly check for life holds a great deal of appeal. The fact that upon death the spouse receives one half of the benefit for their life and then what

remains after the spouses death must stay in the fund is little influence on the decision. They feel that no matter what happens to their health or vitality, someone they trust will care for their money for them. They fear the potential loss of intelligence more than anything else.

However, for those 3 out of 10 who may elect to take the cash-out a rather rewarding road can lie ahead for them. It is possible through a well balanced portfolio of investment vehicles to outperform the amount of the monthly check that would have been issued to them under the customary plan. In my work I am exposed to many ideas for money management and money growth. One that I am personally familiar with uses as the backbone of an investment strategy carefully selected treasury notes. Yields from these notes are then used to buy high yield stocks of financial companies, utilities and industrial companies with growth potential. Recently, by this investment route this portfolio has enjoyed a nearly 20% annual growth rate, easily outstripping the annual total of monthly checks that individual would have received under a customary pension plan. Of course, there are other strategies that can also be used. A key point to emphasize here is that, if the cash-out is retained in a self-directed IRA in a brokerage or in a brokerage-bank account, the original amount and all earnings are free of taxation until distributed.

If one elected to use the up-front 10 year income averaging applied to a cash-out, the original capital sum would be reduced but, thereafter, only its earnings would be taxed. It would be up to the individual to decide whether the reduced sum would materially affect the growth of an investment and whether the taxes would ever be recouped; further whether the tax rate as ordinary income would be high or low at distribution. All of these questions would have to be answered in order to make the right decision. But in this age of calculators and computers the answers can be obtained rather readily. After all of the data is in hand, the decisions are highly personal ones. Nevertheless, I also feel strongly that the total cash-out of pension funds with subsequent investment in an IRA will afford the retiree the amount, the duration and the control sought.

Our financial world abounds with planners of all kinds. The purely academic type may be above the majority of use; the solely experience-oriented type may not have the capabilities to formulate the data projections required. It seems to me an individual having some of the qualities of both would be most valuable. The referral of a friend might be a good choice. These people would be able to help make the cash-out-IRA-invested capital grow.

THE DIVISION OF PROFESSIONAL RELATIONS

Among the 34 ACS divisions, the Division of Professional Relations (DPR) is unique. It is the only one not devoted to a branch or sub-discipline of chemistry. Rather it exists for chemical scientists and their professional welfare. However, it is surprising that, until recently, it was one of the smaller divisions. This is surprising in that 1) one does not need a specific or particular interest to be a member, 2) every ACS member ought to be interested in enhancing his own and others' professional well being, and 3) the ACS is a PROFESSIONAL as well as a scientific and educational society.

In contrast to the obvious differences above are its similarities to other divisions—its members conduct symposia and present papers at national meetings, it publishes monographs and a newsletter, and gives awards to worthy recipients. But it is all done for a different reason and with a different goal. Without seeming arrogant or pompous, we believe our purpose is to be the conscience of the ACS (along with the Council Committee on Professional Relations) and the ethical watchdog for practitioners of the chemical sciences.

A sampling of some symposia presented recently (beginning with the fall meeting in Chicago) is listed below:

- Financial Planning for Chemical Scientists
- Leaping the Technology Transfer Barrier
- Reducing Stereotypes in the Workplace
- Economic Climate and Retirement
- Education For A Professional Life
- Changing and Conflicting Personal Needs in a Chemical Career
- Compensation for Employed Inventors
- Projections of Supply and Demand for Chemists
- Industrial—Academic Interfacing (ACS Monograph No. 244)
- The Legal Rights of Chemists and Engineers (ACS Monograph No. 161)

We celebrated our tenth anniversary last year, experienced a 23% increase in membership, and gained a second Councilor. We presented the first HENRY HILL AWARD to Dr. Alan C. Nixon for distinguished service to professionalism.

If our programs seem interesting to you and you want to be a part of a dynamic group, then join with us. DO IT NOW!

Margil W. Wadley, PhD
Chairman

ELECTION RESULTS

Two hundred and two valid ballots were received during the recent election of DPR officers for 1986. The official results are as follows:

Chairman-elect:		
Jo-Anne Jackson		179
Treasurer:		
Valerie J. Kuck		187
Councilor:		
Dennis Chamot		155*
John S. Connolly		164**
Alternate Councilor:		
Paul A. Rebers		120*
Dennis Runser		160**
Member-at-large:		
Don Baker		174
Attila Pavlath		184

Two bylaw changes were on the ballot, and both were approved:

Article III, 5(b)	Yes	194
	No	2
Article III, 5(c)	Yes	192
	No	4

* = elected for 1986-87 term.

** = elected for 1986-88 term.

DPR Membership Application

I am a member of the American Chemical Society.
Enclosed is \$4 to cover dues through December 31, 1986

My ACS membership number is: _____

Signature: _____

Printed Name _____
Last First

Address: (As it appears on my C&EN mailing label.)

Mail to:
Paul A. Rebers, Secretary
Division of
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Ames, Iowa 50010