

EPPING SCHOOL DISTRICT
Business Administrator's Report – July 21, 2011

Year End Report - Payables and receivables are still coming in to the SAU office, so the year-end report is not available for this meeting. I hope to have numbers finalized for the meeting on August 4th.

NHRS Update – The new State budget, which passed on June 29, contains significant changes to NH retirement impacting costs to school districts and their employees. A summary of retirement changes and their effect on staff is attached.

Effective July 1, member contributions to NHRS went from 5% to 7%. Consequently, all Epping employees who are in retirement experienced a 2% decrease to their net pay on the first payroll in July.

Effective July 1, employer (District) contributions towards teacher retirement went from 8.02% to 13.95% - an increase of 5.93%, and District contributions towards non-teaching staff retirement went from 9.16% to 11.09% - an increase of 1.93%. The non-teacher increase was as expected, and so was budgeted. The teacher increase was considerably more than budget due to the State's decision to pass their portion of teacher retirement costs on to the school districts. We budgeted 9.07% for teachers, based on information from NHRS (an increase of 1.05%), but have had to find an additional \$280,000 to cover the difference between the 9.07% in budget and the 13.95% actual from picking up the State's share.

The possibility of loss of State funding for teacher retirement did not become public knowledge until after the March vote approving next year's District budget. As soon as the District became aware of the potential increased expense, we developed a list of additional cuts to cover the \$280,000 shortfall. Passage of the State budget means that some of the programs and staff included in the District voted budget have been either reduced or eliminated to cover the retirement expense shortfall.

The State has set aside \$3.5 million in their current budget for a one-time distribution to districts to offset the large increase in employer contributions to teacher retirement. However, we have been given no indication of how this money will be divided between the various districts or when the distribution will be made. In addition the NHRS actuarial division should be evaluating the effect of the increased member and employer contributions over the next few months to determine whether the 13.95% can be reduced.

It was originally anticipated that decisions on the timing and amount of the State's reimbursement to Districts, as well as the revised NHRS percentage for employer contributions would be available by January 2011. But at this point it is hard to say when anything will go forward, because two groups have brought lawsuits on the matter. A Retirement Coalition made up of state unions was in court on the 14th to file for a stay on implementation of increased employee rates. NHRS is also filing a suit contesting the recertification of rates requirement on the grounds of constitutionality.

The last significant change to NHRS affecting the District is a new definition for full and part-time employees for purposes of retired members returning to work. Full time is now defined as anyone working more than 32 hours. This provision affects some of our retired teachers working as paraprofessionals and Title I facilitators. If they continue to work 32 ½ hours a week, they are eligible for a single health insurance, but will have to come out of retirement and be active members of the system for as long as they are employed. If they work less than 32 ½ hours per week, they can stay in retirement, but lose their health benefits per the paraprofessional agreement and district non-union support staff benefit guidelines.

ERRP Reimbursement – Last year Epping signed up for the federal Early Retirement Reinsurance Program, a part of the stimulus package which reimburses for some costs associated with health insurance of early retirees. We have just received notice of approval for reimbursement of \$3,405.08 for 2009/2010 and \$3,145.05 for

2010/2011. The program allows for claims through June 2014 or until the federal funds allocated run out, so we may receive additional money at the end of future fiscal years.

Summer Projects – The front of the SAU repair is nearly complete, with only foundation repair remaining. The chimneys and front of the building look wonderful. Roofing will begin soon.

Work on the exterior walls at the high school and elementary has begun. Plants along the exterior walls in those areas have to be removed. Some will be replanted but some shrubs are being permanently removed as they were too close to the building and their root systems were beginning to impact the structure.

Work continues on the new playing and practice fields. Both fields are scheduled to open in the fall of 2012.

The SAU has new phones. Thanks for everyone's patience while we were temporarily without phone service for four days during the transition from one system to the other.

Martha Williamson
Business Administrator

Encumbrances – The following will need Board approval to carry forward as encumbrances at year end. (They have already been counted as expended/encumbered, so approval will not reduce the estimated surplus.)

SAU front completion - any balance for work outstanding on June 30	up to \$25,000
Exterior of High School	\$79,860
Exterior of Elementary School	\$13,560
SAU roof	\$29,500
SAU Chimneys	22,000
SAU attic insulation	\$3,500
Fencing on fields	\$3,210
Computers*	<u>\$50,000</u>
	\$226,630

*Given the healthy surplus, we would like to request an additional \$50,000 in encumbrance to put towards purchase of classroom computers in the current year to begin to address the outdated technology equipment in the elementary and high schools.

Recreation need for waiver – Recreation has been approved to use the middle school gym on Tuesdays and Thursdays in July from 7-9 pm for adult men’s basketball, subject to School Board approval of a fee waiver. (We have no custodians working in the evenings during the summer.) Recreation would like a waiver of fees subject to the usual conditions: leaving the gym and lobby in a clean condition with all equipment/furniture/etc returned to where it belongs. Can the Board grant recreation an ongoing waiver subject to George, Larry and Lisa approving the use of facilities/fields and conditions being met, or would you prefer that someone from recreation come to a Board meeting to request each waiver on a case by case basis?

SAU Chimney Work – The chimneys on the SAU need re-pointing and possibly other repairs. Ernie Guimond has offered to do the work while he has scaffolding in place for price of materials and labor (\$16,000 to \$22,000 depending on whether repair other than re-pointing is needed).

Retirement Reform SB3 – SB3, dealing with retirement reform, has now been adopted by both the house and the senate and is on its way to Governor Lynch. The prediction is that the bill will pass.

SB 3 establishes parameters for part-time employment for the first time. The bill states “For Group I (teachers and employees), in no instance shall part-time employments exceed 32 hours in a normal calendar week.” In other words full time employment has been redefined from 35 to 32 hours per week. The issue is that Epping School District defines full time as 32.5 hours for paraprofessionals and other support staff. Under the District definition employees have been eligible for health insurance at 32.5 hours per week but have not been eligible for retirement. This new law changes our definition of full-time to include retirement. This places all of our support staff and the District in a “pickle”.

- Retired employees, in order to stay retired, will have to work less than 32 hours per week and will lose their health reimbursement.
- If the work weeks stays at 32.5 hours per week the district will need to find an additional \$103,000 to cover the 11.06% employer portion of cost for budgeted staff (\$80,600 for special education paras, \$9,600 for regular education paras, and \$12,800 for Title I facilitators).
- Staff working 32.5 hours per week will have a 7% reduction to their net pay (employee contribution to retirement).
- Staff reducing their time to below 32 hours per week will lose health insurance.

This bill will also increase teacher and non-teaching staff retirement contributions from 5% to 7% effective July 1, 2011.

Once again the State is making decisions at the last minute without considering all the ramifications on School Districts. The District was informed of this likely change on Friday. The final passage has not yet occurred and is dependent upon the Governor.

PTO Donation – On a more positive note, the PTO has generously donated \$4,500 to purchase a mobile ENO (“Smart”) Board for the elementary school. Per School Board policy, you need to vote to accept this donation.

Martha Williamson
Business Administrator