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Statement to the House Committee on Government Operations Regarding S.286

Good morning. Thank you for the opportunity to speak to you about S.286. My name is Cindy Koenemann-Warren and I am the Director of Business Services for RHR Smith and Company, CPAs. I have 16 years of service as Director of Human Resources for Vermont school districts and now provide consulting, mentoring and solution services for Vermont and Maine school districts, municipalities and other governments. It is in my current capacity that I offer my testimony.

RHR Smith and Company, CPAs perform more than sixty different annual school districts and supervisory unions audits in the state of Vermont. In addition, we single audits, accounting, and consulting services Vermont school districts.

Over the last several weeks, I have participated in multiple meetings with representatives from VASBO, VSHRP, VT-NEA and the Office of the Treasurer regarding this matter. As a solutions oriented person, I am doing my best to assist in finding a feasible and implementable solution to the challenge this bill represents for Vermont Schools. Because of my experience I know that solutions can be difficult to find particularly when there are so many variables at play.

1. All of those I have listened to over the last several weeks acknowledge that the retirement system changes proposed are needed. The challenges and questions raised are not made in opposition to the bill itself but the timeline and the calculation method and its relation to the current challenge in available resources both monetary and personnel.
2. I have worked hard to find feasible solutions for our clients to meet the objectives and timelines of this bill. Each conversation brings increased complications and concerns for accurate implementation. Without a software supported solution available to all school districts with all the necessary resources, we have serious concerns about our clients' ability to meet this challenge based the current state.
3. The most responsible solution is to have a tax table like coding added to the six existing payroll software platforms currently used in the fund accounting software systems in use at Vermont Schools. This would allow for an automated deduction much like that used for calculating federal and state income taxes. While not

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foolproof, it is not as prone to error as deduction setup by users or individual employee benefit calculations. Schools do not have to perform individual tax withholding amounts in any of the current system. There is still question as to whether any of the current providers can even offer such a solution in time for implementation for Fiscal Year 2023.

4. Absent of a tax table-based solution, my first read of the bill, without input from others, led me to believe that a salary schedule-based deduction may be possible. Using a set of unverified assumptions, theoretically a deduction could be tied to a fixed salary amount. This ignores any other qualifying wages that may count towards retirement compensation calculations, does not include anyone who is “off-step” and does not include an administrators or other licensed employees who are members of VSTRS but not on a salary grid. Using two different salary schedules, I estimated that it would require the central office to build at least 72 salary amount-based deductions (no customization for actual earnings) for one school district and at least 64 for another. Ironically, the larger number would be required of a smaller district with fewer employees but a greater number of possible salary schedule steps. This assumes that the central office staff has the expertise to build such deductions and that their payroll system would support a hybrid calculation.
5. Aside from the necessary assumptions to use the above salary schedule approach, the bill contains a hybrid calculation in its formula. It includes both a percentage basis and flat dollar amount in any contribution beyond the first tier. This means that the current simple percentage basis can no longer be used. While it is understood that this is to support large “cliffs” when a VSTRS member earns one more dollar of pay resulting in a large jump in contribution, it makes it more difficult to setup the deduction.
6. Based on information from the AOE, there are approximately 140 separate databases maintained by the 54 central offices in the State of Vermont. If there is not a tax table like solution available, all 140 databases will need to have this deduction setup, calculated, and assigned to employees. It is our opinion that the school districts do not have the capacity to do this without serious implications and delays on their normal year end and new year tasks. There simply are not enough resources to ensure accurate implementation, whether you use the theoretical salary schedule methodology or have to calculate individual deductions for each employee.
7. It is important to note that the schools will need to recalculate these deductions on an annual basis when salaries change and when the contribution amount increases each year as currently outlined in the bill.
8. When I reference a lack of capacity, I am acknowledging the inability of many of our clients to find and retain business office staff. We are also acknowledging the disparity in the number of people even available to assist in these changes at the central office. Further, even if a software solution were to be available there is the

lack of resources for both the vendors and users to implement for FY 2023. The staffing shortage is impacting all areas needed to support this change.

9. Since we are a solutions-oriented firm, we do our best to assist our clients when challenges like these arise. Assuming that we even had the capacity to support all 140 databases or even our 60 plus clients, we are estimating approximately 40-80 hours per year per database to setup this deduction for our clients. We have come at it from multiple angles, including building calculators for our clients to use, setting up the actual deduction, assisting with setup, all of which is better left to the experts in the system which brings us back to the capacity issue. It is reasonable to assume a similar amount of time would be required of central office staff or other service providers.
10. Anything is doable but not without a lot of additional resources. Additional resources must include more than just money to hire. It also requires that said resources actually be available for purchase. Even if we believed we could support our clients, our own resources are limited in terms of availability and capacity. There is not enough time for to implement this for FY 2023.
11. This brings us back to our original premise that the best and most effective solution will be to allow vendors the time to setup this calculation behind the scenes without leaving it to individual calculations for multiple employees.

Again, I need to stress that we are a solutions-oriented business and will do our best to help our clients find ways to make this happen. We believe that some districts are able to make this happen if forced to comply. We do not believe that all districts can meet this deadline. This is not an opportunity to phase in compliance district by district.

Thank you.