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| AREA: Business and Finance | |
| AGENDA ITEM(S): 10 Month Employee Installment Options and the State Employees Credit Union Summer Pay Plan | |
| CONTACT PERSON(S): Susan J. Little, Chief Finance Officer | |
| ACTION | X FOR INFORMATION |

Synopsis of Agenda Item

On June 9, 2008, the Chatham County Schools received information from DPI regarding the 10 month employee installment options and the State Employees Credit Union Summer Pay Plan. Briefly stated, DPI has received an advisory opinion issued by Thomas J. Ziko, Special Deputy Attorney General, Education Section re-affirming that N.C.G.S. §115C-302.1 places a duty on local boards of education to honor a ten-month teacher's or employee's request to be paid over twelve months and that providing employees with the option to participate in a payroll deduction plan through banking institutions does not satisfy that obligation.

In 2000, the Wake County Public School System wrote a proposal and submitted it through the State Treasurer's Office to move all 10 month employees off of the state's current installment plan and utilize the State Employees Credit Union for summer pay options. For more than 25 years, the State of North Carolina has given teachers and other 10 month employees the option to spread their salaries over 12 months. That means that the annual salary is divided by 12 instead of 10 months and the employee actually receives a twelfth of their salary instead of a tenth. In order to participate in the state's plan an employee must come to work the first day of the 10 month calendar and remain in active pay status throughout the year. If at any time the employee does not remain in active pay status, the state requires the installment be terminated and the employee be paid in the next pay cycle the money owed for the installment. The State of North Carolina keeps the money set aside each month and earns interest on it. The employee receives only the installment pay owed at the time the accruals are due without earning any interest. Wake County's proposal allowed the employees to earn interest on the money, contribute as much as they wanted to the summer pay plan, and start anytime during the year the employee wanted to implement the summer pay plan. Employees considered less than 10 months or more than 10 months could participate in the plan, thus providing more flexibility to the employees.

Richard Moore, State Treasurer awarded the prestigious annual State Treasurer's award to the Wake County School System in 2001 for innovative thinking that benefited employees and made local governments more effective and efficient in their operations.



Wake County provided evidence that besides benefiting the employees by providing them with more flexibility, administrative time and money was saved in salary audit exceptions and computer programming.

Today, 23 school systems participate in the Summer Pay Plan option. Chatham County joined the growing list several years ago. Mr. Ziko's advisory opinion letter has sparked a debate between attorneys and local school systems about whether the traditional installment plan still provides a viable option to 10 month employees. The Wake County School System along with other districts have refused to move back to the traditional installment plan for 2008-2009 arguing that they need more time to re-program their computer systems to handle this change. Their attorneys are planning to submit changes to the general statutes giving local boards of education the authority to select summer plans for employees in the next session of the General Assembly.

It has taken the months of June and July to determine all the options available to us in Chatham County. Since it is August and school will be starting for 10 month employees on August 19, 2008, we are planning to maintain the State Employees Credit Union Summer Pay Plan for 2008-2009 and implement the traditional installment program in 2009-2010 if legislation does not change the Board's options.

We will keep everyone informed about the developments in this matter during 2008-2009. It is our understanding that Wake County will be sharing draft legislation with everyone this fall and seeking assistance with our local representatives in both the House and Senate during the long session.

Superintendent's Recommendation: For Information.

Suggested Motion: