

EVIP/CIP

Unfunded Accrued Liability Plan Frequently Asked Questions (FAQs)

1. General

- 1-1. What is an unfunded accrued liability?
- An unfunded accrued liability is the difference between accrued liabilities and the value of assets accumulated to finance that obligation.
- 1-2. What types of benefit plans have the potential for unfunded accrued liabilities? Defined benefit plans? Defined contribution plans?
- A local unit's defined benefit plans may potentially have unfunded accrued liabilities; however, a local unit's defined contribution plans would not have unfunded accrued liabilities.
- 1-3. On certification form #5074, Certification of Unfunded Accrued Liability Plan, what is the "Date of Last Audited Financial Report"?
- It is the fiscal year end date for the most recently completed financial audit.
- 1-4. A local unit filed their Unfunded Accrued Liability Plan prior to the passage of 2014 Public Act 34 (effective March 14, 2014). Must the local unit file a new plan?
- No. However, a local unit may file a new plan, but it is not necessary.
- 1-5. Did 2014 Public Act 34, which repealed Section 952 of 2013 Public Act 59, change any requirements of the Unfunded Accrued Liability Plan?
- Yes. 2014 Public Act 34 eliminated the requirement for the Unfunded Accrued Liability Plan to include estimated cost savings of previous actions taken to reduce unfunded accrued liabilities.
- 1-6. Does a local unit have to use the templates provided on Treasury's website?
- The Unfunded Accrued Liability Plan templates that are available on Treasury's website can be used by local units to assist them in preparing their compliance with the Unfunded Accrued Liability Plan category. Local units do not have to use these templates. The templates are available to assist local units if they so choose. Local units have the option to create the required Unfunded Accrued Liability Plan documentation in a manner best suited for the local unit.

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- 1-7. Is the Michigan Employees' Retirement System (MERS) template or any other template acceptable for submission?
- A local unit may submit the required Unfunded Accrued Liability Plan in any format that is best suited for the local unit, as long as the required information is included.
- 1-8. Is a local unit required to have copies of the Unfunded Accrued Liability Plan available to citizens? Or, is the website publication sufficient to meet EVIP/CIP requirements?
- A local unit must make the required reports available for public viewing either at the clerk's office or by posting them on a publicly accessible internet site. It is up to the local unit to decide which method(s) they would like to use to make the information available to their citizens. A local unit may choose to provide the plan in multiple formats.
- 1-9. If all of the required information is available on a local unit's website, does anything need to be submitted to Treasury?
- Yes. A local unit must submit a signed certification form #5074 and the Unfunded Accrued Liability Plan, if applicable, to Treasury by the due date.

2. No Unfunded Accrued Liabilities Exist

- 2-1. A local unit does not have any unfunded accrued liability for pension or other post-employment benefits, what does a local unit need to submit to Treasury?
- A local unit is required to submit a signed certification form #5074. Check the "No Unfunded Accrued Liabilities Exist" box in Part 2 and explain why the local unit does not have any unfunded accrued liabilities.
- 2-2. If a local unit is funded 100% or more for pension plans and other post-employment benefit plans, what type of Unfunded Accrued Liability Plan should be submitted?
- If a local unit is 100% funded in both pension and other post-employment benefit plans, submit a signed certification form #5074. Check the "No Unfunded Accrued Liabilities Exist" box in Part 2 and explain why the local unit does not have any unfunded accrued liabilities.

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3. Unfunded Accrued Liabilities Exists

3-1. Does a local unit need to report estimated cost savings for previous actions taken?

- No.

3-2. A local unit has not taken any actions to reduce unfunded accrued liabilities for their general government plans but they have taken actions to reduce their police unfunded accrued liabilities. Does the local unit need to complete two separate Unfunded Accrued Liability Plans?

- No. If a local unit has taken any previous actions with any plans, a local unit should submit a plan that they have “taken previous actions” to reduce unfunded accrued liabilities.

3-3. A local unit has taken actions to reduce unfunded accrued liabilities for other post-employment benefits but not for pension plans. Does a local unit need to submit two separate plans?

- No. If a local unit has taken any previous actions with either pensions or other post-employment benefits, a local unit should submit a plan that they have “taken previous actions” to reduce unfunded accrued liabilities.

3-4. A local unit has previously completed an actuarial assumption change and/or an issuance of debt to reduce unfunded accrued liabilities. Are these acceptable previous actions?

- Yes. An actuarial assumption and/or an issuance of debt are acceptable previous actions; however, neither qualifies as a new action.

3-5. If a local unit takes action to reduce unfunded accrued liabilities after their last audited financial report, but before submitting the Unfunded Accrued Liability Plan, would the action be considered a previous action?

- Yes.

3-6. Does a local unit need to report the amount of their unfunded accrued liabilities?

- No.