Question 1) Are districts able to charge federal grants the full retirement rate and keep all the 147c revenue in the general fund?

Answer 1) All payroll (no matter how funded) will be charged the district’s retirement rate which will be a combination of the “DB Contribution Total,” the actual district “MPSERS UAAL Stabilization Rate” and the actual district “One Time MPSERS Liability Prepayment Rate.”

NOTE: Because of the way the Section 147c and 147d funds have been legislatively appropriated, distributed, and collected by ORS; the District’s actual DB rates (DB Rate Charged on Reported Salaries Plus the UAAL Stabilization and One-Time MPSERS Liability Prepayment) will not equal the “Statewide” Total Rate ORS publishes. As indicated in the footnotes at the bottom of the ORS Contribution Rate document that rate is to be used for preliminary Budget Purposes Only. The best way to determine your district’s actual 2014/15 ORS UAAL Stabilization and One Time MPSERS Liability Prepayment rates for mid-year budget amendments is to divide the amount showing on the district’s state aid status report under Sections 147c and 147d (the first column labeled “Amount”) by the district’s 2014/15 projected ORS Reported Salaries.

The Section 147c and Section 147d funds will provide a supplementary revenue source for the districts that will cover a portion of the “Total Rate Charged.” The Section 147c revenue will be distributed to districts based on prior year salaries reported to ORS. The total amount of Section 147c funds distributed statewide stabilizes the UAAL rate to the 20.96% on a statewide basis, not on an employee/district basis.

When the district pays the “Rate Charged on Reported Payroll” initially it may be interpreted that it is paying the “Total Rate Charged” for the federal grant expenditures immediately with any residual amount due to ORS and remaining on the balance sheet attributable to local and state grants paid from the Section 147c and 147d funds.

To reiterate -Using prior year salaries as a base is just a means to distribute the Section 147c and 147d funds. The Section 147c and 147d funds are simply an appropriation to help stabilize the statewide UAAL. As indicated in the MDE Guidance, beginning in fiscal year 2013-14 districts will record the “Total Rate Charged” to all payroll including grant funded payroll, pay ORS the “DB Rate Charged on Reported Payroll” and set up a liability account for the “Stabilization Rate” for budget purposes. The state will calculate and distribute each district’s share of the Section 147c and 147d annual appropriation. The funds will be distributed in the Monthly State Aid payments. ORS will bill the district for the exact same amount as the district’s current year appropriation. The district will “zero out” any liability in excess of the 147c and 147d allocation at year end. (See question 7 and 8)

Here is an excerpt from the MDE attorney regarding this issue:

….The key is that the unfunded liability rate is and will continue to be charged uniformly across all employees and is not affected by this subsequent funding. Accordingly the situation is that the pension contribution for federally paid employees will be charged to federal funds at the same rate the contribution for non federally paid employees will be charged to nonfederal funds. The only effect of this state appropriation will be that more of the non federal contribution will be from state funds rather than local funds. That is not a concern as an audit would just look at whether the federal charges are comparable in rate to the charges paid with non federal funds. This comparison would not distinguish between state funds and local funds. It is not relevant whether the non federal funds are state or local.

Question 2) When do districts remit the amount over and above “Rate Charged on Reported Payroll” to ORS?

Answer 2) Beginning in 2013-14 there will be a mismatch between Section 147c revenue and the liability established as districts record the payrolls using the “Total Rate Charged.” As indicated in the MDE guidance, district administrators should work with the school district auditors to determine the adjustment needed at year end. We would anticipate that at year end the district will have a retirement liability that
includes the retirement benefits earned prior to June 30th but not paid until July or August, along with the amount of Section 147c and 147d that will be paid to ORS during July and August.

Question 3) For which fiscal year will the funds received in the July and August 2015 State Aid payments be recorded?

Answer 3) Funds received under Section 147c and 147d in July and August 2015 will be considered 2014-15 State Aid Revenue recorded as Major Class Code “312-State Restricted Revenue.”

Question 4) When will districts remit the amount over and above “Rate Charged on Reported Payroll” to ORS?

Answer 4) For wages/salaries earned during fiscal year 2013-14 and following, districts should be recording an accounts payable for the entire “Total Rate Charged” as payroll is recorded. The districts will remit to ORS the “Rate Charged on Reported Payroll” on the normal payroll cycle. The amount remaining in the accounts payable (the district’s estimate of its share of the “Stabilization Rate”) will be liquidated as ORS monthly bills the district. **Districts should not remit the funds until the bill from ORS is received.** The bill from ORS will be the exact amount reported as Section 147c and 147d on that month’s State Aid Status report.

Question 5) May we record Section 147c and 147d expenditures as one total?

Answer 5) There is no need to record any expenditures using the MPSERS grant code. As indicated in the guidance, the district should charge a uniform UAAL rate across all ORS reported salaries by class no matter how they are funded.

Question 6) When may I expect to see the first 2014-15 Section 147c and 147d funds in my State School Aid payment?

Answer 6) We anticipate that the first 2014-15 section 147c and 147d funds will be included in the November 2014 State Aid payment.

Question 7) What will the year end accrual look like retirement liabilities?

Answer 7)

1) DB/DC Contribution Rate multiplied by the 26 pay contracts payable obligation (out of pocket. This represents the actual cash outflow from district funds for the MPSERS obligation on current payroll amounts.)

2) June MPSERS obligation paid in July (some pay this on June 30th. In that situation there would be no liability for the June obligations at year end.)

3) MPSERS UAAL Rate Stabilization and One Time MPSERS Liability Prepayment for the amounts to be received in July and August State Aid.

Question 8) After analyzing my year end accrual as stated in 7) above, I still have amounts left over in the liability account. What am I supposed to do?!!

Answer 8) Any remaining amount left in the liability account beyond what SHOULD be there (see Question 7) should be removed by either crediting or debiting the liability account. The other side of the entry (debit or credit), should be spread amongst your retirement expenditure accounts. Many districts are choosing to spread this adjustment to major function codes versus every single line item.

**Important things to consider relative to "clearing" out extra amounts in the liability account:**

1. **Make adjustments during the year to avoid large surprises at year end**
2. **MAKE sure your budget amendments appropriately reflect the clearing out of this account as it will adjust expenditures**.
Question 9)
With the elimination of Section 147d funding after the first (and only) payment received in November 2014, what changes do I need to make right now?

Answer 9)
1. If you are expensing the Total Rate as provided earlier by ORS, which included a statewide average 1.13% for the One Time MPSERS Liability (147d), you need to stop expensing this amount right away.

2. For federal grants that were charged the Total Rate, you will need to determine how much the district may have “over-requested” for current year payroll and do the following:
   
   i. Make a journal entry to remove these expenditures from your federal grant codes (debit Liability and credit expenditure)
   
   ii. Adjust your grant drawdown request in the next period to incorporate the amounts you may have over-requested. This should NOT be a finding for your federal program testing, as you were not informed of any change until March 2015. If you wait too long to change it, there could be an audit issue later.

Make sure any 2014-15 budget amendments REMOVE the revenue for 147d (other than the payment you received) and REDUCE the expenditures commensurate with the reduction in the district’s 147d rate. Take the time now, when you are looking at your budget amendment, to analyze the balances you might currently have in your liability account and make the appropriate adjustments to reconcile them. This will avoid surprises later.

For more accurate expenditure projections, we would encourage you to amend the district budgets using more accurate district UAAL Stabilization and One Time MPSERS Liability Prepayment rates rather than the Statewide Average “DB Total Rates” published In the ORS 2014-15 Employer Contribution Rate Schedule. See FAQ1 for one method that may be used to calculate those rates. The “DB Rate Charged on Reported Payroll” (20.96%) portion of the “DB Total Rate” will be the same for all districts.

The original section 147d rate (1.13%) is not required to be paid by the district beyond what had been provided in your November state aid payment.

Question 10)
With the elimination of the 147d funding, does this mean my district has to pay additional amounts into the system between now and June 30, 2015, as the cost of the system has not declined?

Answer 10)
No – The district is still responsible for the “DB Rate charged on Reported Payroll” which had previously been provided by ORS. Future rates are determined for each October – September and may change, but for the current timeframe, there is no change in the required contribution rate that the district will pay.

Question 11)
Is there a simple guideline I can follow as to what my expenditure should be?

Answer 11)
This is as simple as we can make it:

The district’s total retirement/post-retirement health care expenditure is:

* The Section 147c appropriation received/reported on the status report
* The Section 147d appropriation (only the payment received in November 2014)
* The DB Rate Charged on Reported Payroll (20.96%)
* The Applicable Post Retirement Rate to be paid by the District on covered payroll (the Pension Normal Cost rate + the Health Normal Cost Rate) from the ORS tables provided.