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2018-3 Recording of Actuarially Determined Contributions (ADC) for Other
Postemployment Benefit (OPEB) Systems

As required by Michigan Compiled Laws (MCL) 38.2805(4), the state treasurer shall determine that a local unit of government is in underfunded status if the following apply:

- The actuarial accrued liability of a retirement health system of the local unit of government is less than 40% funded according to the most recent annual report,
- and, if the local unit of government is a city, village, township, or county, the annual required contribution (ARC) for all of the retirement health systems of the local unit of government is greater than 12% of the local unit of government's annual general fund operating revenues¹, based on the most recent year.

ARC is defined in Public Act 202 of 2017 (the Act) as “the sum of the normal cost payment and the annual amortization payment for past service costs to fund the unfunded actuarial accrued liability” (UAAL). As local units implement Governmental Accounting Standards Board (GASB) Statement No. 75, the ARC is being phased out and is being replaced by the ADC. For a local unit to comply with the Act, it must calculate the ADC in accordance with the Act's definition of ARC². For local governments that calculate an ADC, generally accepted accounting principles (GAAP) would then require disclosure of the ADC in the required supplementary information section of its audited financial statements in accordance with GASB Statement No. 75. Consistent with the Act, ADC shall be calculated as the normal cost payment plus the amortized portion of the UAAL.

¹ “General fund operating revenues” means the sum of all governmental activity fund revenues of a local unit of government as determined by the state treasurer based on applicable government accounting standards of the Governmental Accounting Standards Board. General fund operating revenues do not include any fund of the local unit of government that the state treasurer determines based on applicable government accounting standards of the Governmental Accounting Standards Board is a proprietary, fiduciary, enterprise, or other restricted fund that may not be expended to provide retirement health benefits or retirement pension benefits. For further guidance on the calculation of revenues in accordance with the Act, [view the retirement report instructions](#).

² [Public Act 202 of 2017, Section 3](#)

For fiscal years ending June 30, 2018, and after, all local units must calculate and include in the required supplementary information section of their annual audit report, the applicable ADC. Beginning immediately, a local unit that fails to provide an ADC in its financial statements or does not calculate the ADC as normal cost plus the amortized portion of the UAAL, will result in the local unit's evaluation of underfunded status being determined on the funded ratio trigger criteria only. Those units determined to be underfunded may submit a waiver application to the department that includes the calculated ADC, as demonstrated in an actuarial report or separate letter of an actuarial firm, showing the local unit would have been considered funded by using the ADC.

If you have questions, please schedule an appointment using the [Local Retirement Calendar](#). A staff member will contact you at your scheduled time. You may also email our office at LocalRetirementReporting@michigan.gov or visit Michigan.gov/LocalRetirementReporting for step-by-step reporting instructions and helpful FAQs.