



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

MICHAEL P. FLANAGAN
STATE SUPERINTENDENT

July 24, 2014

MEMORANDUM

TO: Local and Intermediate School District Superintendents, Public School Academy Directors, and Business Office Managers

FROM: Kyle L. Guerrant, Deputy Superintendent *KG*

SUBJECT: Accounting for the MPSERS UAAL Rate Stabilization and One Time MPSERS Liability Prepayment (MCL 388.1747c and 388.1747d)

Subject to PA196 of 2014, \$674,700,000 in state funds were appropriated for Michigan Public School Employee Retirement System (MPSERS) Unfunded Liabilities Obligations in excess of the statutory cap of 20.96% (2012 PA 300, MCL 38.1341(2)). These payments will be made in the 2014-2015 fiscal year to local and intermediate schools districts that participate in the MPSERS system. Funds are appropriated in a Section 147c MPSERS UAAL Rate Stabilization Payment categorical, and represent a funding source to help pay for districts' retirement obligations. In addition, for fiscal year 2014-15 only, an additional \$108,000,000 in state funds were appropriated in a separate Section 147d One Time MPSERS Liability Prepayment. The Office of Retirement Services (ORS) will invoice each recipient district for the exact same dollar amount awarded to the districts under these two State Aid categories and districts will be expected to remit funds in the same amount back to ORS within the following month.

The amount distributed to each district will be "based on each participating entity's proportion of the total covered payroll for the immediately preceding fiscal year for all districts and intermediate districts that are participating entities." The MPSERS contribution rate charged to salaries is estimated as the **Total Rate** listed in Attachment A - FY2014-15 Employer Contribution Rates. The Section 147 categorical funds simply represent a funding source to help provide some fiscal relief for the districts' portion of retirement obligations. Districts **will not** be required to allocate the Section 147c or Section 147d revenue back to the various funding sources that paid the salaries.

The rates appearing in Attachment A are the estimated statewide impact on the 2014-15 MPSERS. Because the legislation calls for utilizing each entity's prior year salary as a base for distribution, the amount paid to each district under Section 147c and Section 147d will vary from the amount the district initially sets up as liability using the estimated rates and current year payroll.

The MPSERS Section 147c and Section 147d funds will be paid to districts beginning in the November 2014 state school aid payments. This will allow the Office of Retirement Services to collect, analyze and provide a file to the Michigan Department of Education that includes each district's total reported salaries from October 1, 2013 through September 30, 2014.

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The 2014-15 Section 147c and Section 147d will be paid using the normal 1/11 amount in each regularly scheduled 2014-15 State Aid payment. However because the payments won't begin until November 2014, districts will receive 2/11 of the annual award amount in the November 2014 State Aid payment and 1/11 in each subsequent state aid payment. School district budgets and financial statements should reflect both revenues and expenditures for these funds.

The purpose of this correspondence is to provide school business officials with the following accounting methods and the associated account codes to utilize when recording the Section 147c and Section 147d funds in the school district accounting records.

For 2014-15, Districts should apply the "**Total Rate**" as indicated in the FY2014-15 Employer Contribution Rates Table to all payroll accounts. Following are two examples of the journal entries:

Example 1-Assume a \$100,000 Payroll and that the employees had first worked for the reporting unit before July 1, 2010 and are enrolled in the health premium subsidy. The 2014-15 rate for this payroll as stated in legislation is **Total Rate** (34.54%)

Debit Retirement Expenditures

11-111-2820-000-0000-12345 \$34,540

Credit Balance Sheet Payroll liability for various rates charged on Payroll Costs

11-451-123-000-0000-00000 \$34,540

(To record the expenditures for employers' share of retirement)

State Aid Payment with 147 MPSERS Payments Received

Debit Balance Sheet Cash

11-101-0000-000-0000-0000 \$12,000

Credit State Aid Restricted Revenue

11-312-0000-000-0000-0000 \$12,000

(To record receipt of Sec 147 Funds)

Districts will receive an invoice from the ORS that indicates the amount owed and how to remit the payment.

When the invoice is received, the district will record the following journal entry

Debit Balance Sheet Payroll Liability for retirement

11-451-123-0000-00000

\$12,000 Credit Balance Sheet Cash

11-101-0000-000-0000-00000 \$12,000

(To Record payment to ORS for offset funds provided by Sec 147)

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As mentioned above, the liability account will carry either a debit or credit balance at year end. District administrators should work with the school district auditors to determine the appropriate adjustments to various accounts at year end.

Please feel free to contact Glenda Rader at raderg@michigan.gov with questions related to this accounting.

cc: Michigan Education Alliance

FY2014-15 Employer Contribution Rates: K-12, ISD, Charter/PSA, District Library, and Community College

Active Members

	Basic/MIP with Premium Subsidy	Pension Plus with Premium Subsidy	Pension Plus with PHF	Pension Plus to DC with PHF	Basic/MIP to DC with Premium Subsidy	Basic/MIP to DC with PHF	Basic/MIP with PHF	
DB CONTRIBUTIONS								
PENSION CONTRIBUTIONS								
Pension Normal Cost	4.31%	3.23%	3.23%	0.00%	0.00%	0.00%	4.31%	
Pension UAL	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	
Pension Total Rate	23.07%	21.99%	21.99%	18.76%	18.76%	18.76%	23.07%	
HEALTH CONTRIBUTIONS								
Health Normal Cost	0.51%	0.51%	0.00%	0.00%	0.51%	0.00%	0.00%	
Health UAL	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	
Health Total Rate	2.71%	2.71%	2.20%	2.20%	2.71%	2.20%	2.20%	
DTL2 Records	DB Contribution Total	25.78%	24.70%	24.19%	20.96%	21.47%	20.96%	25.27%

DC CONTRIBUTIONS								
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%	
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%	
DTL4 Records	DC Contribution Total	0.00%	1.00%	3.00%	5.00%	4.00%	6.00%	2.00%

The table below is provided for budgeting purposes only; changes to employer contribution rates used in payroll reporting¹ are not required. The MPSERS UAAL Stabilization Rate² is the estimated statewide impact on 2014-15 MPSERS UAAL Rate Stabilization funding. Because legislation calls for utilizing each entity's prior year salary as a base for distribution, the amount paid to each district will vary from the amount the district sets up as liability using that rate and current year payroll. Per the FY 2015 state budget, a one-time liability prepayment³ for the Early Retirement Incentive Plan offered in 2010 has been added to this year's contribution rates. The Total Rate⁴ is the estimated annual level percentage of the MPSERS payroll contribution rate.

Employer Defined Benefit (DB) Contribution Rates with MPSERS UAAL Rate Stabilization Amount:

DB Rate Charged on Reported Payroll: ¹	25.78%	24.70%	24.19%	20.96%	21.47%	20.96%	25.27%
MPSERS UAAL Stabilization Rate: ²	7.63%	7.63%	7.63%	7.63%	7.63%	7.63%	7.63%
One-time MPSERS Liability Prepayment: ³	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%
Total Rate:⁴	34.54%	33.46%	32.95%	29.72%	30.23%	29.72%	34.03%

1 - Rate charged through normal payroll reporting process.

2 - Rate charged through monthly MPSERS UAAL Rate Stabilization Amount invoice.

3 - One-time MPSERS Liability Prepayment; rate charged through monthly MPSERS UAAL Rate Stabilization Amount invoice.

4 - Total combined rates. "Total Rate" is to be used for budgeting purposes only.

FY2014-15 Employer Contribution Rates: K-12, ISD, Charter/PSA, District Library, and Community College**Retirees**

	Basic/MIP with Premium Subsidy*	Pension Plus with Premium Subsidy*	Pension Plus with PHF*	Pension Plus to DC with PHF*	Basic/MIP to DC with Premium Subsidy*	Basic/MIP to DC with PHF*	Basic/MIP with PHF*
DB CONTRIBUTIONS							
PENSION CONTRIBUTIONS							
Pension Normal Cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Pension UAL	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%	17.40%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	18.76%	18.76%	18.76%	18.76%	18.76%	18.76%	18.76%
HEALTH CONTRIBUTIONS							
Health Normal Cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Health UAL	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
Health Total Rate	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
DTL2 Records	DB Contribution Total	20.96%	20.96%	20.96%	20.96%	20.96%	20.96%

DC CONTRIBUTIONS (These rates apply to those with a DC plan and/or PHF)							
DC Employer Contributions	0.00%	1.00%	1.00%	3.00%	4.00%	4.00%	0.00%
Personal Healthcare Fund	0.00%	0.00%	2.00%	2.00%	0.00%	2.00%	2.00%
DTL4 Records	DC Contribution Total	0.00%	1.00%	3.00%	5.00%	4.00%	2.00%

*UAAL of 20.96% is charged for those:

hired *directly* by a reporting unit - working as critical shortage, substitute teacher, school improvement facilitator, or instructional coach.

hired *indirectly* through a third party entity - working as substitute teacher, school improvement facilitator, or instructional coach.

hired *directly/indirectly* - qualified participants (QPs) working in any position. DC contributions charged for *directly* hired QPs only.

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One-time MPSERS Liability Prepayment: ³	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%	1.13%
Total Rate:⁴	29.72%	29.72%	29.72%	29.72%	29.72%	29.72%	29.72%

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