



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

RICK SNYDER
GOVERNOR

BRIAN J. WHISTON
STATE SUPERINTENDENT

MEMORANDUM

DATE: January 18, 2018

TO: Local and Intermediate School District Superintendents
Public School Academy Directors

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

SUBJECT: Accounting Guidance for Section 147c(2) MPSERS One Time Deposit

Effective October 1, 2017, the legislature amended Section 147c to include a one-time distribution to districts (Section 147c(2)) to pre-pay the final two years of pension liability related to the operation of Section 81b of the Public School Employees Retirement Act (MCL 38.1381b).

We recommend that districts **not** allocate charges related to Section 147c(2) funding to federal grant programs. Section 147c(1) funds may continue to be charged uniformly across all employees (as previously advised by Department legal counsel).

This approach is consistent with federal regulations which permit annual pension costs to be charged to federal funds only as authorized in established state policies (2 CFR 200.431(g)). Michigan-established policies generally authorize districts to charge pension costs across federal and state funding sources in accordance with the Office of Retirement Services' (ORS) published contribution rate. Here, state law prevents ORS from including Section 147c(2) funding in the ORS-prepared contribution rate used by districts to charge pension costs. In addition, the Section 147c(2) funds represent a one-time pre-payment of liability, rather than being part of the Annual Required Contribution typically included in the established rate. For these reasons, allocating Section 147c(2) costs to federal funds is inconsistent with established federal and state requirements on pension allocations.

Section 147a(2) funds may continue to be accounted for the same as Section 147a(1) funds. The purpose of funds under this subsection is to offset district retirement costs and are not remitted back to the Office of Retirement Services.

Questions regarding the accounting for Section 147c(2) funds may be directed to Christopher May at 517-335-1263, or MayC@michigan.gov.

cc: Michigan Education Alliance

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