



STATE OF MICHIGAN
DEPARTMENT OF EDUCATION
LANSING

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GOVERNOR

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STATE SUPERINTENDENT

June 6, 2013

MEMORANDUM

TO: School District Business Officials

FROM: Glenda Rader, Assistant Director, State Aid and School Finance *glenda Rader*

SUBJECT: Guidance on Accounting for the MPSERS UAAL Rate Stabilization Payment (MCL 388.1747c)

Subject to a pending FY13 school aid supplemental (HB 4228), \$160 million in state funds will be 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 beginning in the 2012-2013 fiscal year to local and intermediate schools districts that participate in the MPSERS system. Funds will be appropriated in a Section 147c MPSERS UAAL Rate Stabilization Payment categorical, and will represent a funding source to help pay for districts' retirement obligations. The Office of Retirement Services (ORS) will invoice each recipient district for the exact same dollar amount, and districts will be expected to submit 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 should be the **Total** rate as listed in Attachment A - FY2013-14 Employer Contribution Rates. The Section 147c categorical funds simply represent a funding source to help provide some fiscal relief for districts' portion of retirement obligations. Districts **will not** be required to allocate the Section 147c funds back to the various funding sources that paid the salaries.

The 4.56% Stabilization Rate appearing in Attachment A is the estimated statewide impact on the 2013-14 MPSERS UAAL Rate Stabilization Payment. 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 will vary from the amount the district sets up as liability using that rate and current year payroll.

The legislation is expected to be enacted in June 2013 and will be paid in the July and/or August 2013 state aid payments. The 2013-14 Section 147c will be paid using the normal 1/11 amount in each regularly scheduled 2013-14 State Aid payment. School district budgets should reflect both revenues and expenditures for these funds. The net effect of Section 147c on the budgets will be zero as districts will record an equal amount of revenue and expenditures.

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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 funds in the school district accounting records.

For fiscal year 2012-13, at a minimum, districts should allocate the MPSERS UAAL Rate Stabilization Payment proportionally to its major fund and function codes. A spreadsheet with the 2012-13 and 2013-14 Estimated Section 147c allocations for each district may be found at: www.michigan.gov/sasf

Following is an example of the **2012-13** journal entries necessary to account for the funds:

Assume an amount received of \$50,000 under Section 147c.

Debit Retirement Expenditures	
11-111-2820-000-0000-12345	\$10,200
11-261-2820-000-0000-12346	\$ 8,749
11-252-2820-000-0000-00000	\$ 9,101
(additional accounts)	\$21,950
Credit State Restricted Revenue	
11-312-000-0000-00000	\$50,000

For 2013-14, Districts should apply the "**Total Rate Charged**" as indicated in the FY2013-14 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 2013-14 rates for this payroll as stated in legislation are **Total Rate Charged** (29.35%) comprised of the **Rate Charged on Reported Payroll** (24.79%) and the **Stabilization Rate** (4.56%)

Debit Retirement Expenditures	
11-111-2820-000-0000-12345	\$29,350
Credit Balance Sheet Payroll liability for various rates charged on Payroll Costs	
11-451-123-000-0000-00000	\$24,790
11-451-125-000-0000-00000	\$ 4,560

(To Record Payroll and ORS Payment in each payroll cycle)

State Aid Payment with 147c MPSERS UAAL Rate Stabilization Payment Received	
Debit Balance Sheet Cash	
11-101-0000-000-0000-0000	\$4,560
Credit State Aid Restricted Revenue	
11-312-0000-000-0000-0000	\$4,560

To record receipt of Sec 147c Funds

Districts will receive an invoice from the ORS with a communication that reads something like this: "This invoice represents the MPSERS employer contribution retirement rate stabilization amount needed to fully fund the MPSERS pension and health benefits for 2013. Your reporting unit received revenue to fund this invoice in the "xxxx" State Aid payment. This invoice is due to ORS on "xx/xx/xxxx."

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

Debit Balance Sheet Payroll Liability for the Stabilization Rate

11-451-125-0000-00000 \$4,560

Credit Balance Sheet Cash

11-101-0000-000-0000-00000 \$4,560

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

Example 2-Assume a \$100,000 Payroll and that the employees had first worked for the reporting unit before July 1, 2010 and participate in the pension plus plan and personal healthcare fund. The 2013-14 rates for this payroll as stated in legislation are **Total Rate Charged** (28.19%), **Rate Charged on Reported Payroll** (23.63%) and **Stabilization Rate** (4.56%)

Debit Retirement Expenditures

11-261-2820-000-0000-12345 \$28,190

Credit Balance Sheet Payroll liability for **Rate Charged on Reported Payroll** and **Stabilization Rate** Costs

11-451-123-000-0000-00000 \$23,630

11-451-125-000-0000-00000 \$ 4,560

(To Record Payroll and ORS Payment in each payroll cycle)

State Aid Payment with 147c MPSERS UAAL Rate Stabilization Payment Received

Debit Balance Sheet Cash

11-101-0000-000-0000-0000 \$5,000

Credit State Aid Restricted Revenue

11-312-0000-000-0000-0000 \$5,000

To record receipt of Sec 147c Funds

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 if there should be any adjustment to accounts at year end.

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

cc: Robbie Jameson, State Budget Office
Steve Crippen, Office of Retirement Services

**FY2013-14 Employer Contribution Rates:
Active Members and Qualified Participants**

	Basic/MIP With Premium Subsidy	Pension Plus With Premium Subsidy	Pension Plus 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	2.90%	2.67%	2.67%	0.00%	0.00%	0.00%	2.90%
Pension UAL	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%	14.08%
Pension Early Retirement Incentive	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%	1.36%
Pension Total Rate	18.34%	18.11%	18.11%	15.44%	15.44%	15.44%	18.34%
HEALTH CONTRIBUTIONS							
Health Normal Cost	0.93%	0.93%	0.00%	0.00%	0.93%	0.00%	0.00%
Health UAL	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%	5.52%
Health Total Rate	6.45%	6.45%	5.52%	5.52%	6.45%	5.52%	5.52%
DTL2 Records	DB Contribution Total	24.79%	24.56%	23.63%	20.96%	21.89%	23.86%

Rate Charged on Reported Payroll:	24.79	24.56	23.63	20.96	21.89	20.96	23.86
Stabilization Rate:	4.56	4.56	4.56	4.56	4.56	4.56	4.56
Total Rate Charged:	29.35	29.12	28.19	25.52	26.45	25.52	28.42

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%	2.00%