

MASSACHUSETTS

Public Employee Retirement Administration Commission

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MEMORANDUM

TO: All Retirement Boards

FROM: Jim Waldman, Director of Finance

RE: Accounting for Corporate Actions

DATE: January 7, 2000

In an effort to conform to industry standards for corporate actions such as name changes, mergers and stock distributions, we are changing the method of accounting for these actions. The past practice was to sell the old security at zero and record a loss and purchase the new security at zero and wait until the end of the year to adjust to market value. Effective January 1, 2000 the accounting practice for corporate actions will transfer the cost value of the old security to the new security. An accounting entry must be made to sell the old security for the amount being transferred and to purchase the new security for that same amount. This will enable custodian banks to eliminate manual intervention and reduce the number of reversed transactions. Please feel free to contact me if you have any questions regarding this matter.

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