

The Commonwealth of Massachusetts
Public Employee Retirement Administration Commission
John W. McCormack Building, Room 1101
One Ashburton Place Boston, MA 02108
(617) 727-9380

MEMORANDUM

TO: All Retirement Boards

FROM: Barbara J. Ware, Actuary

RE: Cost for Expenses

DATE: April 4, 1997

In accordance with Chapter 306 of the Acts of 1996, expenses will now be paid from investment earnings. Consequently, all valuations performed as of January 1, 1997 or later must consider this fact. Two ways in which this may be accomplished are: 1) setting the interest rate assumption to match the net expected return, or 2) adding a dollar amount to the appropriation, so that the system is in the same position as it would have been if the expenses had been paid separately.

If you are having a valuation done by a consulting actuary, you should discuss this issue with him or her. Whichever method of recognition is used should be disclosed in the assumptions section of the valuation report. For the PERAC valuations, we will be contacting you to get an estimate of the expenses for the upcoming year. The amount which you give us will be added to the Normal Cost, unless you specifically ask us to use a different approach (which, of course, must be approved).

/bjw
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cc: Robert F. Stalnaker, Executive Director
Consulting Actuaries