

The Commonwealth of Massachusetts
Public Employee Retirement Administration Commission
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M E M O R A N D U M

TO: All Retirement Boards

FROM: Robert F. Stalnaker, Executive Director

RE: EXPENSE FUND ACCOUNTING FOLLOW-UP

DATE: June 16, 1997

There have been many questions asked regarding the accounting entries that will be required for transferring funds from the Investment Income Account to the Expense Fund. There will only be one entry per year on December 31st, to transfer, from Investment Income, (the monies expended from the Expense Fund). The entry will be a debit to investment income (4820) and a credit to the Expense Fund (4896). This entry will be a closing entry. Please keep in mind that in 1997 the monies that were in the Expense Fund on December 31, 1996 must be fully expended before any funds from Investment Income will be utilized. (See example below)

Retirement Systems must also be aware that changes resulting from Section 36 of Chapter 306 require that the Expense Fund Budget and any subsequent supplementary budgets must be approved by the board at least 30 days prior to the expenditure of such funds and that notification must be made to the legislative body of the governmental unit of the current or former employees served by the board. The costs of funding the Expense Fund will be added to the annual appropriation upon update of the system's funding schedule. Governmental Units, may at their option, separate from the retirement system appropriation, appropriate monies for the purposes of carrying out section 5B.

EXAMPLE

The XYZ Retirement System had a balance in their expense fund on December 31, 1996 in the amount of \$35,000. During calendar year 1997, the XYZ Retirement System expended \$80,000 from the Expense Fund. The \$35,000 would be utilized first and on December 31, 1997 \$45,000 would be transferred from investment income to the Expense Fund.