

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: John J. McGlynn, Executive Director

RE: Expense Fund Accounting Changes

DATE: January 14 1997

As a result of Section 36 of Chapter 306 of the acts of 1996, the Expense Fund of retirement systems will be funded through investment income. However, in accordance with that statute, all funds that were appropriated in fiscal 1997 for the Expense Fund must be transferred from the governmental unit, to the retirement system. The appropriated funds must only be expended for the purpose for which they were originally appropriated. Retirement systems must determine any amount that will be needed in excess of the appropriated amount for the remainder of fiscal 1997. The retirement board must file a supplemental Expense Fund budget with the local legislative body at least 30 days prior to the adoption of such budget prior to any transfer from investment income.

It will be necessary to make accounting changes in order to implement this statute. The following accounts which close to investment income will no longer be utilized: #5301 Custodial Fees Paid. #5302 Consultant Fees Paid #5306 Management Fees Paid and #151 1 Board Member Stipend. The following accounts in the Expense Fund will be now be used for these expenses: #5304 Management Fees #5305 Custodial Fees #5307 Consultant Fees, and a new account #5118 which will be utilized for all board member stipends. The accounting entry for transfers from investment income to the Expense Fund will be a journal entry to debit investment income #4820 and to credit Expense Fund #3298. This transfer will be reflected on the Annual Statement in a fashion similar to the required for the Annuity Savings Fund, the Annuity Reserve Fund, and the Military Service Fund.