

MEMORANDUM

TO: All Retirement Boards
Investment Service Providers

FROM: Joseph E. Connarton, Executive Director

RE: Annual Disclosure Forms

DATE: December 17, 2015

It has been several years since the Public Employee Retirement Administration Commission (PERAC) provided guidance regarding the information to be included in the Annual Vendor Disclosures filed by investment service providers pursuant to Chapter 32, Section 23B of the General Laws.

This Memo is designed to elaborate on prior advisories relative to that information in light of experience to date. Those advisories remain in place and, in particular, PERAC Memo #54/2012 should be reviewed in conjunction with this Memo. Please review those advisories in addition to this information.

Sub – Advisors/Investing Managers

PERAC Memo #18/2014, Fund of Funds/Manager of Managers Policy Implementation sets forth the requirements related to sub-advisors/investing managers. Sub-advisors/investing managers that invest assets of Massachusetts' pension systems must file Annual Disclosures. Under the terms of Memo #18 if the sub-advisor/investing manager fails to file, the Fund of Funds/Manager of Managers is prohibited from allocating assets of a Massachusetts' retirement system to that sub-advisor/investing manager.



MEMORANDUM - Page Two

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Compensation Paid

In completing this section vendors must clearly identify the recipient of the compensation. Merely noting that payments were made or using a generic title such as “Legal” or “Auditing” is not sufficient.

Payments made to unregistered individuals for extending invitations to provider sponsored events, inquiring whether the prospective or existing client wishes to discuss investments with a registered person, and determining whether a prospective client wishes to receive investment literature from the provider must be fully disclosed.

Compensation Received

Compensation in this section should include fees received from the retirement board as well as compensation in the form of “carried interest”, transaction fees charged to portfolio companies, monitoring fees charged to portfolio companies, financing fees received for arranging financing around a deal, and redemption fees.

Please note that the items referenced are not exhaustive and all Compensation Paid and/or Compensation Received must be disclosed.