

MEMORANDUM

TO: All Retirement Boards

FROM: Joseph E. Connarton, Executive Director

RE: Accounting for Investment Related Fees

DATE: December 9, 2014

As part of our ongoing effort to provide guidance to retirement boards regarding accounting and reporting issues the Commission is issuing this Memo. Previously we had disseminated a Memo relative to the appropriate process to be used to correct Cash Book filings, PERAC Annual Statements, and other accounting related submissions to PERAC (PERAC Memo # 24/2014).

The focus of this Memo is the recording of investment related fees (investment managers, custodians, and consultants etc.) and in particular the reporting of those fees on Schedule 5 and Schedule 7 of the Annual Statement of Financial Condition (Annual Report).

First and foremost it is imperative that **all** investment service providers with whom the board is involved be reflected on the books. Fees paid to **all** investment service providers must be tracked, recorded, and incorporated into the Annual Report. In addition, all entries on the schedules must be completed. **If the board is no longer paying fees but assets remain with the service provider then the records should indicate that fact with an entry of \$0. A failure to do so and a blank entry will be considered incomplete.**

In filing the Annual Report there are two investment service provider Schedules that must be completed, Schedule 5 and Schedule 7. Schedule 5 reflects the activity for pooled funds and includes a summary of all their activity by category for the calendar reporting period. Schedule 5 is an effort to reconcile the pooled fund values reported on the Assets page, while Schedule 7 is an effort to reconcile the Management Fees included in the Expense Fund. Schedule 5 should agree with the values reported on the Assets page for each pooled fund category. Schedule 7 should reflect all investment service providers and their fees including those that are listed on Schedule 5.

We trust the foregoing is of assistance. If you have any questions, do not hesitate to contact the PERAC Investment Unit or the PERAC Audit Unit.

