

## MEMORANDUM

TO: All Retirement Boards

FROM: Bill Keefe, Executive Director

RE: PERAC Regulations 840 CMR 4.00 and 25.00

DATE: April 17, 2024

PERAC has been engaged in a multi-year process to review and amend all of its regulations. As part of that process, we have recently promulgated amendments to section 840 CMR 4.00 *Financial Operations/Standard Method of Accounting* and 840 CMR 25.00 *Field Examinations of Contributory Retirement Systems*. These two regulations were published by the Secretary of the Commonwealth on March 29, 2024, and are now in effect. Complete copies of all of our regulations are available on our website.

### **840 CMR 4.00 Financial Operations/Standard Method of Accounting**

A number of changes were made to 840 CMR 4.00.

In Section 4.01 we have included a definition section.

In Section 4.02 we have clarified that transactions should be entered daily and that a Trial Balance and General Ledger should be run monthly.

Section 4.03 requires that the Board submit to PERAC certain accounting records for the month they have been posted. We have also included a chart showing the dates that monthly cash books are to be received by PERAC.

Section 4.03 also requires the Board to provide all custodian statements, account appraisals, manager statements and consultant statements within four weeks of the close of the month.

We have added a new Section 4.05 which specifies that Board staff shall share completed monthly cash books with all Board members. Board staff are also required to share cash reconciliations and a quarterly comparison of budgeted amounts to actual spending with all Board members.



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**840 CMR 25.00 Field Examinations of Contributory Retirement Systems**

Minimal changes were made to 840 CMR 25.00 but we want to highlight some of the requirements of this section which details how PERAC conducts our Field Examinations of the systems.

Examinations are conducted to determine the system's financial condition, monitor performance under the terms of the Board's legal, contractual and fiduciary requirements and the system's effectiveness in achieving the intended results required by chapter 32.

Examinations are conducted every three years and encompass the period beginning on January 1, immediately following the ending date of the prior audit. An examination of subsequent years to the audit period will be conducted as appropriate.

Prior to the start of the examination the Board administrator will be provided with the Internal Control Questionnaire prescribed by PERAC.

A Board may have an examination conducted by a certified public accountant. The Board must notify PERAC when such a person or firm is retained. The individual or firm is required, within 10 days of providing their report on the financial condition of the system to the Board, to file a copy of their report with PERAC.

Though a Board may have an examination conducted by a certified public accountant this does not replace the statutorily required PERAC examination. In this regulation, we have clarified the process by which PERAC may utilize portions of an examination by a certified public accountant, as we deem appropriate, while we conduct our own examination.

If you have any questions regarding these regulations, please contact Director of Audits Caryn Shea at 617-591-8929 or at [caryn.m.shea@mass.gov](mailto:caryn.m.shea@mass.gov).