

## MEMORANDUM

TO: All Retirement Boards

FROM: John W. Parsons, Esq., Executive Director

RE: Accounting Changes

DATE: January 24, 2019

This memo summarizes material that was presented at last year's Annual Statement Training, as well as part of the recent Board Administrators' training.

We have created four new ledger accounts; one for expenses and three for investments.

### **Account #5120 Benefits**

This account is to be used for the Retirement Board (employer) share of benefits, such as insurance and the Medicare match. Use this account for both current staff members and former Board staff who have retired.

### **Account #4701 Carried Interest**

Carried Interest represents the incentive fees assessed against gains and attributed to the General Partner (Investment Manager). For example, a Partnership/Trust agreement might, in addition to an annual management fee, split gains 80% to the limited partners and 20% to the general partner. In a year with poor investment results, the limited partners may receive a return of previously assessed carried interest. This account should be used in both situations.

### **Account #4702 Equalization Expense**

Also known as true-ups, equalization expenses are charges applied against partnership/trust investors who join after the partnership has been in operation. These charges are designed to assess the later investors in order to put them on equal footing with those that invested from the beginning. This account should be used whether you are paying prior investors or they are paying you.



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TO: All Retirement Boards  
FROM: John W. Parsons, Esq., Executive Director  
RE: Accounting Changes  
DATE: February 13, 2019

**Account #4703 Miscellaneous Investment Expenses**

This account is to be used for all investment costs that are not management fees. The most common examples are when the administrative expenses of the fund (legal, audit, etc.) are spread out among all the investors. Although these typically are seen in alternative investments, this account can be used if there are non-management fees assessed against a non-alternative investment.

The three investment accounts have debit balances and close to #4820 Investment Income Control Account. Account #5120 has a debit balance and closes to #3298 Expense Fund.

These accounts should be implemented as soon as practicable. They will be required when reporting 2019 activity.

If you have any questions regarding this memo, please contact Caryn Shea at 617-666-4446 extension 929.