



Informational GUIDELINE Release

Commissioner Stephen W. Kidder
Deputy Commissioner Edward J. Collins, Jr.

Bureau of Accounts
Informational Guideline Release (IGR) No. 90-106
March 1990

PENSION CHARGES TO FEDERAL GRANTS

G.L. Ch. 35 §32A and G.L. Ch. 40 §5D

This Informational Guideline Release (IGR) informs local officials about making pension cost transfers from federal grants.

This IGR supersedes IGR No. 85-103 "Pension Charges to Federal Grants".

Questions on pension charges to federal grants should be referred to the Bureau of Accounts or to the Public Employee Retirement Administration: Barbara Ware (617) 727-9380.

Topical Index Key:

Accounting Policies and Procedures
Treasurers and Collectors:
Responsibilities and Procedures

Distribution:

Municipal/District/County
Treasurers
Accountants/Auditors
School Superintendents
Mayors/Selectmen/Managers



THE COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF REVENUE
DIVISION OF LOCAL SERVICES

STEPHEN W. KIDDER
COMMISSIONER

EDWARD J. COLLINS, JR.
DEPUTY COMMISSIONER

BUREAU OF ACCOUNTS

INFORMATIONAL GUIDELINE
RELEASE NO. 90-106

ISSUED: March 1990

PENSION CHARGES TO FEDERAL GRANTS

G.L. Ch. 35 §32A and G.L. Ch. 40 §5D

SUMMARY:

General Laws Chapter 35, Section 32A and Chapter 40, Section 5D require that all federal grants received by local governments be charged for pension costs incurred because of the grant.

County, municipal and district treasurers are required to make provisions for charging federal grants for pension costs of all active members of a retirement system whose salaries are paid from these grants. This charge is separate from the member's mandatory contribution, which will continue.

The Division of Public Employee Retirement Administration (PERA) has determined that beginning in FY88 the appropriate charge for all federal grants is nine percent of total grant salaries.

GUIDELINES:

1. The Division of Public Employee Retirement Administration (PERA) is responsible for determining the appropriate charge for pension costs incurred because of federal grants.

Between October 1, 1985 and June 30, 1986, PERA established an initial charge of three percent of the total grant salaries. In FY87 the charge was increased to six percent. In FY88 the charge was increased to nine percent and it continues to remain at nine percent.

2. At the commencement of every fiscal year (but no later than July 31st), each spending agency of cities, towns, districts and counties must authorize the treasurer to initiate procedures to transfer pension costs from all federal grants.

BUREAU OF ACCOUNTS

Mariellen P. Murphy, Director (617)727-2300

Employees responsible for administering federal grants should notify their accountant or auditor and treasurer to make pension cost transfers from all federal grants.

3. All transfers should be made on a timely basis and as close to the dates of payroll distributions for these federal grants as is reasonably possible and in accordance with the local government's normal withholding policies and procedures.
4. All pension costs so recovered from grants must be deposited in the local retirement system's pension reserve fund.
5. Each transfer of funds must be accompanied by supporting documentation which details each employee and the respective amounts and period of time which the charge and transfer represents. Copies of all documentation supporting these pension charges to grants should also be maintained by the county, municipality and district.
6. All local retirement boards have the responsibility to maintain financial information which is adequate to justify and support the recovery of pension costs from federal grants.
7. For any federally-funded educational grants received through the Massachusetts Department of Education (DOE), 80% of the required percentage of budgeted payroll for pension costs of employees who are members of the State Teachers' Retirement System will be deducted by the DOE prior to receipt of grant funds at the local level. At the end of the school year the Massachusetts Teachers' Retirement Board (MTRB) and the DOE will reconcile the actual expenditures and compensate for over and under payments for pension costs.

All other employees whose salaries are funded by these federal education grants received through the DOE must be considered in pension cost transfers to the local retirement system.