

**MASSACHUSETTS DEPARTMENT OF ELEMENTARY & SECONDARY EDUCATION**  
**GRANTS MANAGEMENT PROCEDURAL MANUAL**

**POLICY STATEMENT ON PENSION CHARGES TO FEDERAL GRANTS**

Massachusetts 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 members mandatory contribution, which will continue. The Division of Public Employee Retirement Administration has determined that beginning in FY88 the appropriate charge for all federal grants is 9% of total grant salaries.

For any federally-funded educational grants received through the Massachusetts Department of Elementary and Secondary Education, 80% of the required percentage (9%) of budgeted payroll for pension costs of employees who are members of the State Teachers' Retirement System will be deducted by the Department of Elementary and Secondary Education prior to final payment of grant funds at the local level.

Prior to the termination of the grant, the local school district will determine its actual liability and pay the Massachusetts Teachers' Retirement Board directly for any balance owed.

(Excerpts from *Informational Guideline No. 90-106: Charges to Federal Grants*, Massachusetts Department of Revenue, Division of Local Services)