



Police & Firemen's Retirement System of New Jersey Fund Accounting Procedures

Table of Contents

Chapter I: Introduction	3
A. Purpose	3
Chapter II: Responsibilities	4
A. Custodian Bank	4
B. Accountants/Financial Specialists	4
C. Director of Financial Operations.....	4
D. Chief Investment Officer.....	4
E. Chief Financial Officer.....	4
F. Auditors	4
G. Treasurer	4
Chapter III: The Process	5
A. Daily Procedures	5
B. Monthly & Quarterly Procedures	5
C. Annual Procedures.....	5

Chapter I: Introduction

A. Purpose

The purpose of this procedure is to provide clear guidelines and a roadmap for the accounting process and closing of the books. The process is outlined at a high level that will require further detailed working procedures based upon the specific custodian as selected by the Treasurer. This document is meant to be an overarching guide supplemented with operational daily, monthly and annual processes which are highly dependent upon the custodian/accounting agent for the fund.

Key components are the daily, monthly and annual accounting procedures which will ensure an accurate and timely annual reporting package, as well as ensure timely and accurate performance reporting on a daily, monthly, quarterly and annual basis as well.

Chapter II: Responsibilities

A. Custodian Bank

The Custodian Bank as selected by the Treasurer, will provide the daily NAV, monthly reports and annual packages.

B. Accountants/Financial Specialist

The Accountants/Financial Specialists will test the reports received from the Custodian Bank for accuracy and potential errors. The Accountants/Financial Specialists will then compile the reports to create the specific schedules and financial reports on a monthly, quarterly and annual basis.

C. Director of Financial Operations

The Director of Financial Operations will test, review and sign off on the financial reports. Any escalations or issues found by the Accountant/Financial Specialist will be overseen by the Director of Financial Operations, who will also coordinate with the Custodian Bank if needed. The Director of Financial Operations will provide a summary report on the financial operations of the fund to the Chief Financial Officer on a monthly/quarterly basis. The Director of Financial Operations will coordinate the incorporation of the Actuarial schedules into the Annual Comprehensive Financial Report (ACFR). In addition, the Director of Financial Operations will also coordinate with the Chief Investment Officer and the Chief Financial Officer on the written content of the ACFR. It is the responsibility of the Director of Financial Operations to maintain the Accounting Procedures. Recommended changes to the Accounting Procedures will be presented to the Operating Committee.

D. Chief Investment Officer

The Chief Investment Officer is responsible for providing a written report on the performance of the Fund in the ACFR.

E. Chief Financial Officer

The Chief Financial Officer is responsible for providing a written report on the financial operations of the Fund in the ACFR. In addition, on a monthly and quarterly basis the Chief Financial Officer will review the financials with the Director of Financial Operations.

F. Operating Committee

The Operating Committee will review any suggested changes to the Accounting Procedures for potential approval.

G. Auditors

The independent Auditors will on an annual basis review and audit the Fund activity, the Financials and the ACFR prior to public release.

H. Treasurer

The Treasurer selects the Custodian Bank for PFRSNJ. The Treasurer also receives a copy of the final ACFR.

Chapter III: Process

A. Daily Procedures

On a daily basis, the accounting team will complete a quick benchmark analysis of the market value movement on a portfolio level. Any breaks in tolerance will have to be investigated and an explanation logged. In addition, the accounting team will validate all cash flows (transfers, expenses, capital calls, distributions, returns of capital, etc.) submitted to the custodian from the prior day – ensuring appropriate account, G/L and dollar amount was processed.

Additionally the accounting team will work with the investment advisors to reconcile daily purchase and sales, ensuring all trades are being actively booked.

B. Monthly & Quarterly Procedures

At month end, the accounting team will take steps to ensure the accuracy of the accounting statements from the custodian:

- Check the beginning balances to match the prior month ending balances
- Check for past due income
- Verify failing trades and expected settlement
- Validate pricing – all positions priced and no stale or only approved stale prices
- Investigate any significant changes in unrealized gains/losses
- Review Earned Income & Accrual Income
- Validate cash fund/STIF payment
- Verify Securities Lending Income payment against Lending reports
- At a total Fund level – transfers in equal transfers out
- Perform a portfolio performance reconciliation between Custodian and Consultant

In addition, on a monthly basis the accounting team will publish all transactions in accordance with NJSA5:18A-92 on the PFRSNJ website.

C. Annual Procedures

At year end, the accounting team will take steps to ensure the accuracy of the accounting statements from the custodian:

- Check the beginning balances to match the prior month and year ending balance
- Check for past due income
- Verify failing trades and expected settlement
- Validate pricing – all positions priced and no stale
- Investigate any significant changes in unrealized gains/losses
- Review Earned Income & Accrual Income
- Validate cash fund/STIF payment
- Verify Securities Lending Income payment against Lending reports
- At a total Fund level – transfers in equal transfers out
- Review GASB 40 & 72 reports
 - Foreign Currency Report
 - Credit Risk Report
 - Issuer Concentration 5% Report
 - Custodial Credit Risk Report
 - Interest Rate Risk

- Review GASB 53 if applicable
 - Notional Amounts
 - Fair Value
 - Changes in Fair Value
 - Credit Quality Ratings (notes if non rated)
 - Fair Value of Hedging Derivative Instruments
 - Concentrations of Credit Risk (if any)
 - Interest Rate Risk
 - Foreign Currency Risk
- Receive GASB reporting from Actuary
- Compile ACFR schedules
- Receive/create written commentary from a Financial, Actuarial and Performance perspective.
- Provide draft version of full ACFR to Auditor
- Work with Auditor to clarify questions/resolve issues
- Finalize Draft
- Deliver ACFR as required (DPB, Treasurer, Trustees, Members, etc)

PFRSNJ will provide the Division of Investment with copies of the accounting reports generated for the Chief Investment Officer and/ or the Board of Trustees.