



## S-60/ORP IMPLEMENTATION UPDATE #17 (4/14/16)

### PROGRESS REPORT

On April 8, 2016 MTA met with representatives of the State Retirement Board and the Department of Higher Education to review implementation of Section 60. Following is a summary of the main topics of discussion.

These topics include:

- Little improvement in the rate of asset transfers
- Incompatibility of established SRB practices with the requirements of Section 60
- Lack of information to members about payments, procedures, interest, fees
- Continued refusal of SRB to accept payments from TPA's
- Advance payments for retirees

#### **1. Transfers of ORP assets: no immediate improvement in sight**

The rate of asset transfer is still too slow for the initial transfers to be completed before 2022.

As of this date, the DHE has been interviewing candidates but has not hired temporary staff to help with the transfer of ORP assets.

There is no news about getting the FY 17 budget amended to include funds for temporary staff through 2017 to address the backlog of cases building in the DHE, which is now up to over 400 Section 60 members.

Last year, the DHE was prevented from requesting asset transfers while waiting for the SRB to update the cost estimates. Recently, the SRB has been updating cost estimates faster than the DHE can process asset transfer requests.

(An aside: anyone who is anticipating retirement during calendar year 2016 who has not notified the DHE of an intended retirement date should do so by emailing the DHE at [ORP@bhe.mass.edu](mailto:ORP@bhe.mass.edu). This is not a commitment to retire, but should help to get the asset transfer done faster than otherwise.)

## 2. Problems with Retirement Board practices

The SRB's billing practices are not adapted to Section 60, with the result that many members with ORP assets in TIAA Traditional accounts are receiving bills that drastically understate their Section 60 payment obligations.

Background: TIAA Traditional accounts are ordinarily not liquid. TIAA has made two exceptions for those who Transferred to the MSERS or will transfer before January 1, 2017 or who have less than \$5,000 in their TIAA Traditional accounts. Their Traditional accounts will be liquidated, enabling the efficient payment of most or all of the amounts required under Section 60.

As has been explained previously, Section 60 requires three types of payment

- (A) The employee's ORP contributions plus 8% annual actuarial assumed interest;**
- (B) The employee's ORP contributions plus the earnings on those contributions if that total is more than (A), which does not apply to everyone in the ORP;**
- (C) The employer's contributions plus the earnings on those contributions, which combined amount cannot be used to pay (A).**

For those with liquid ORP accounts, the transfers are made in the form of two checks from each provider. One check covers **(A)** and **(B)**. The other check covers **(C)**.

The payment process gets more complicated for those in TIAA Traditional accounts of more than \$5,000 who are retiring January 1, 2017 or later. A request from the DHE to TIAA for transfer of ORP assets results in a response from TIAA declining to transfer the amount held in a Traditional account.

In those cases, the SRB sends a bill only for the amount of **(A)**. Because the bill does not include **(C)**, it appears that the amount shown is the entire amount owed to complete a Section 60 transfer to the MSERS. This is not the case.

Here is an illustration of the problem.

Assume that all of your ORP assets were liquid, and have therefore all been transferred to the SRB. Assume that the amount transferred didn't include enough employee-funded assets to pay **(A)**. In that case you would not owe anything under **(B)**, because **(B)** applies only if your employee-funded assets exceed **(A)**. Additionally, because all of your employer-funded assets would have been transferred, you would not owe anything under **(C)**. The SRB would send you a bill for the balance of **(A)** that you owe.

That bill would accurately reflect what you owe pursuant to Section 60, because you would have paid all of **(C)**, and **(B)** didn't apply to you.

By way of contrast, here is a description of what happens with a TIAA Traditional account where TIAA will not liquidate ORP assets.

If you transferred to the MSERS some part of your ORP assets that were liquid, but had thousands of dollars in your TIAA Traditional account that could not be transferred, would the SRB send a bill for the total balance of **(A)**, **(B)**, and **(C)**? Or just **(A)**?

If you said just **(A)**, you would be right.

This can lead to the erroneous belief that you don't owe the amounts of **(B)** and **(C)**.

The DHE and the SRB have not yet devised a method for billing and monitoring payments for **(B)** and **(C)**. MTA continues to urge the DHE and the SRB to put in place a comprehensive procedure for fair and complete collection of Section 60 payments. We discuss this in our meetings, but there is no solution yet for putting our members on notice about the misleading information in the bill.

To complicate matters further, the SRB is not currently accepting payments from TIAA Traditional accounts in the form of TPA-based installments. Members who receive a bill for an amount in **(A)** who are relying on being able to pay using a TPA are at present unable to do so. We are also discussing this problem in our meetings, but there is no solution yet.

### **3. Section 60 retirees waiting to get paid**

Retirees who do not have their MSERS retirement income but who have purchased their Section 60 service (and any other service they were able to add) can speak with a Retirement Counselor at the SRB about getting a modest advance on their retirement income. Retirement Counselors can be reached at (617) 367-7770.

### **4. In conclusion**

For those of you in TIAA Traditional accounts whose assets cannot be liquidated, the Section 60 process is more complicated and confusing than ever.

Even for those of you who do not have to be concerned about liquidity, there are concerns about the details of the process and why the process is taking so long.

Please let the Retirement Board know if you have questions about the aspects of the process handled by the SRB, i.e., service and cost calculations, bills and methods of payment. The email address is [orpinfo@tre.state.ma.us](mailto:orpinfo@tre.state.ma.us).

Please let the Department of Higher Education know if you have questions about the aspects of the process handled by the DHE, i.e., information packages, transfer of assets. The email address is [ORP@bhe.mass.edu](mailto:ORP@bhe.mass.edu).

We continue to work in our meetings on resolving these issues.

If you are unable to get an answer, or are confused about an answer or where to direct a question, please contact the MTA at [orp@massteacher.org](mailto:orp@massteacher.org).