



S-60/ORP IMPLEMENTATION UPDATE #15 (2/12/16)

PROGRESS REPORT

On February 5, 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.

1. Transfers of ORP assets

This continues to be a source of frustration and anxiety. As of February 5, 2016, ORP assets had been transferred for 214 Section 60 transferees to the MSERS. At this rate (214 in ten months since asset transfers began), it will take almost 6 more years to complete this phase of Section 60. The MTA agrees with members who find the pace unacceptably slow. The SRB and the DHE give every impression of wanting to finish this work at least within FY 2017, if not sooner.

2. Accelerating the transfers

The SRB has hired an FTE and has reassigned another member of its staff to assist with Section 60 work. This increase in staffing, and the reduction of work related to last year's Early Retirement bill, seems to be adequate to maintain a steady flow of the updated numbers needed for the DHE to initiate asset transfer requests.

The DHE, however, needs five additional FTE's in order to keep up with that flow. For the remainder of FY 2016, the DHE could accommodate two more FTE's to work on ORP asset transfers within existing office space and with current equipment. However, the cost of additional compensation, office space, furniture, supplies, etc. to maintain five additional FTE's will need to be included in the DHE's appropriation for FY 2017.

3. Balances due after ORP asset transfers: TIAA Traditional accounts

The SRB sends a bill after receiving the checks from Providers for ORP assets if the employee-funded assets are less than the amount of Estimated Cost of Service.

For anyone having assets in TIAA Traditional accounts, and who is not retiring before 1-1-17, these bills may be misleading. The SRB states only the balance due relative to the Estimated Cost of Service. The bill does not reflect the total amount that Section 60 requires to be paid.

For example, say you have \$100,000 in ORP assets. That amount would consist roughly of \$70,000 in employee-funded assets and \$30,000 in employer-funded assets. Assume that the entire amount is in the TIAA Traditional account.

Assume also that your updated Total Estimated Cost of service according to the SRB is \$65,000.

In this example, you are not retiring before 1-1-17, so none of your ORP assets can be transferred to the SRB at this time, because they are “locked” in the TIAA Traditional account.

The DHE would request a transfer, but would be informed by TIAA that no transfer can be made. The DHE would convey that information to the SRB, and the SRB, according to its current practice, would send you a bill for an Estimated Cost of Service in the amount of \$65,000.

You may conclude from such a bill that you only owe \$65,000. You would be wrong. Section 60 requires that you pay the entire \$100,000 in your TIAA Traditional account.

The SRB and the DHE have much work to do in order to ensure that those with TIAA Traditional accounts who will retire after 12-31-16 are well-informed about what they will owe, about how to make the necessary payments, about what the interest rate will be and whether there will be a carrying charge if payment is through a TPA or other installment plan rather than a payroll deduction plan.

Those with ORP assets in TIAA Traditional accounts who are not going to retire by 1-1-17 are advised to pay close attention to information available here and on the DHE website. You can find the information at www.mass.edu/forfacstaff/orp/section60.asp.

Note that if your ORP assets are in a TIAA Traditional account and if you are retiring before 1-1-17, your assets are not locked. In that case, you do not have to deal with these complications.