



S-60/ORP IMPLEMENTATION UPDATE #23 (1/11/18)

PROGRESS REPORT

On January 8, 2018 MTA met with representatives of the State Retirement Board and the Department of Higher Education to review implementation of Section 60.

Although the SRB had circulated a draft of “Guidelines” for Section 60 transfers, this is not adequate to provide comprehensive instructions for current and future implementation of Section 60. MTA renewed its recommendation that the SRB and the DHE establish a small working group (with MTA’s participation, if requested) to focus on drafting a detailed policy for members, for SRB and DHE staff, for TIAA, and for campus HR. The SRB declined, but did agree to review MTA’s recommendations on the draft guidelines and to respond by January 19, 2018.

Following is a summary of the main topics discussed on January 8th.¹

1. Delay by the SRB in cashing checks

This continues to be a problem for the SRB, but we were told that the department that processes these checks now has four staff members and will have five when one other person returns from maternity leave. This is expected to allow them to attend to these problems. (This department handles service purchases not just for Section 60 transfers, but also for thousands of other state employees.)

2. Paying those ORP assets still due after transfer of liquid assets

The SRB has not decided that TPA’s are an acceptable method of completing Section 60 payments. This is one of the areas that has to be addressed in any implementation policy.

¹ For convenience, “EE” refers to “employee,” and “ER” refers to employer.” The term “EE-funded assets” refers to those ORP assets funded by required employee contributions plus net investment gains and interest, and “ER-funded assets” refers to the Commonwealth’s contributions to the ORP account plus net investment gains and interest.

You can use money from other sources, or you can wait until you retire or leave you state job for other reasons to remove your ORP assets from a Traditional account.

At this time, the SRB is not charging interest where the balance of Section 60 service cost remains in a TIAA Traditional ORP account.²

3. What happens to Traditional ORP assets after payment of the service cost?

Another matter relates to payment of SRB bills for service cost balances. Say that a member pays a service cost balance of, for example, \$50,000 from other sources, and there is \$50,000 remaining in his/her Traditional account EE-funded assets. The MTA position is that the interest earned in the Traditional account on that \$50,000 after payment of the service cost balance belongs to the member. That is still an open question with the SRB.

4. Misplaced assurances

MTA brought another problem to the attention of the SRB: inaccurate information conveyed to at least some members who have ORP assets remaining in a TIAA Traditional account after liquid assets have been transferred. Some are being told that if they pay the balance of their service cost, they will not owe anything more. This is not what the Section 60 law says.

Section 60 requires that if your ORP contributions and the net investment gains and interest on those contributions add up to *more* than your service cost, you have to pay the larger amount.

Section 60 also requires that you pay all of the employer's contributions and the net investment gains and interest on those contributions.

MTA recommends that you look carefully at your TIAA account to understand the source of your ORP assets and to recognize that you do not own most of what remains in your ORP account.

5. Retiring or leaving soon? Remember the 120-Day Process

As indicated above, certain assets from your TIAA Traditional account (and related TPA assets) will have to be paid to the state, even if you pay the balance of your service cost.

Within 120 days of terminating your service, you will need to ask TIAA to pay you your TIAA Traditional assets in one or more lump-sum payments.

² It should be noted that where TPA installments have been paid into liquid accounts after the transfer of other liquid ORP assets, these TPA-based ORP assets also must be paid to the MSERS to the same extent as Traditional account assets.

The details of this process keep changing, so please monitor the DHE website at www.mass.edu/orp to keep current.

6. Required Minimum Distributions

The DHE and the SRB agreed that those needing to take a Required Minimum Distribution from the ORP will not thereby forfeit their eligibility for Section 60 if they are otherwise in compliance with Section 60.

A different problem is whether an RMD can be used to pay toward remaining Section 60 costs. One reason for not taking such payments relates to the treatment of after-tax payments. Such payments that go into the member's MSERS annuity account will be identified as after-tax contributions, and this is not a problem because the SRB has long-standing procedures for this. However, there is currently no method for recording payments of after-tax dollars that go to the Pension Reserve Fund

7. Assistance

For information about your service or cost calculation, or about receiving a bill or paying a bill, or about uncashed checks, contact the State Retirement Board at orpinfo@tre.state.ma.us.

For information about the asset transfer process (including uncashed checks) or RMD's contact the Department of Higher Education at ORP@bhe.mass.edu.

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.