



S-60/ORP IMPLEMENTATION UPDATE #18 (5/10/16)

PROGRESS REPORT

On May 6, 2016 MTA met with representatives of the State Retirement Board and the Department of Higher Education to review implementation of Section 60. Further discussion took place with the SRB on May 9th. Following is a summary of the main topics of discussion.

1. Transfers of liquid ORP assets: improvement on the way

The DHE hired two temporary FTE's who are beginning to work on the simpler ORP asset transfers.

This is already helping to expedite the process.

As was noted previously, last year, the DHE was unable to request asset transfers until the SRB updated the service cost estimates. The SRB was moving very slowly on this. Since January the SRB has been sending updated service cost estimates to the DHE much faster than the DHE can work on them. The result is that the DHE now has a backlog of over 900 updated calculations.

MTA is working with the DHE on a plan to seek additional resources to add more temporary staff to get through all the transfers of liquid ORP assets by the end of 2017. We will be communicating with members about a legislative campaign to ensure that funds will be made available.

2. Asset transfers and retirement date

With a DHE waiting list of 900, it is even more important, if you are retiring in 2016, and if you did not send a retirement application to the DHE, that you notify the DHE at ORP@bhe.mass.edu. Both the DHE and the SRB have been trying to prioritize asset transfers for those closest to retiring. If you sent a retirement application to the SRB, that probably did not alert the SRB to your status as a *Section 60* member, and the DHE and SRB would not know of your intended retirement date as it related to Section 60.

If you are waiting to send in a retirement application, write on it "Section 60" and send it to the DHE at Optional Retirement Program, Department of Higher Education, 11 Beacon Street— Suite 625, Boston, MA 02108.

3. Transfer of non-liquid ORP assets: no answers yet

As has been described in the last S-60/ORP Update, the transfer of so-called “locked funds” creates complications and more work for the SRB and the DHE.

The SRB and the DHE are developing procedures for payments of all monies due from TIAA Traditional accounts under Section 60. This is yet another aspect of Section 60 that calls for inventing new administrative systems. For now, there are no answers about using assets in TIAA Traditional accounts that cannot be liquidated.

4. Interest charges on balances due

As has been explained previously, the SRB sends a bill after the transfer of ORP assets when there is a balance due for the cost of service. These bills do not explain what interest will be charged on an unpaid balance. MTA has been told that the interest rate is 3.875 percent per year, which is half the current actuarial assumed interest. This rate may change in June in accordance with the procedures of the Public Employee Retirement Administration Commission (PERAC), which determines actuarial assumed interest.

5. Purchase of non-Section 60 service

Some members want to purchase other service, such as “03” employment. Although the calculation is done after Section 60 service is paid for, the SRB will accept the member’s application to purchase this service and the supporting documentation even before completion of the Section 60 process.

The interest rate for calculating this service will also be half the actuarial assumed interest rate so as not to penalize Section 60 members for being in Section 60.

6. Delays in cashing transfer checks

Occasionally the SRB does not process a check within 60 days, owing to some error or anomaly in the member’s account. In such cases TIAA has notified the member that the check may be stopped or cancelled. The SRB has always been able to process the checks in time, and stopping payment on a check is not recommended as it creates other problems. If you receive a warning letter from TIAA, please notify the DHE at ORP@bhe.mass.edu so that this can be addressed with minimum disruption.

7. Summary

Those of you who have TIAA Traditional ORP assets in excess of \$5,000 and who are not retiring before January 1, 2016 are urged to review the information in S-60/ORP Update #17.

MTA will send out a Section 60 email if more information from the SRB or the DHE becomes available before our next meeting on June 3rd.

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.

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.

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.