



S-60/ORP implementation update #2 (1- 23-15)

RETIREMENT PLAN INFORMATION PACKAGE

On 12/16/14 the MTA met with the Department of Higher Ed. (DHE) and the State Retirement Board (SRB) to review the Section 60 implementation process and progress. MTA plans to meet regularly with both organizations to monitor the S-60 implementation process and address related questions or concerns as they arise. This update captures the key issues discussed at the December 16th meeting and provides clarifications, corrections and some elaboration on the Section-60 implementation process itself, where appropriate.

Note: Pay close attention to the points related to using TIAA funds (#5), opting for a payroll deduction plan (#6), and completing the forms required to initiate the transfer of coverage to the MSERS (#7). Print out this update and keep it with the Retirement Information Packet that the State has sent or will send to those who have returned their Notice of Interest forms by the related deadlines.

1. Update on the mailing of S-60 Retirement Plan Info. Packages:

- a. The state has indicated that 2,006 Notices of Interest forms have been submitted, of which between 1,000 and 1,100 remain to be prepared that are within the applicable 180 day time frames.
- b. Separately, the preparation of about 100 cost statements is running behind schedule. The State Retirement Board (SRB) indicated that addressing this lag is a top priority, especially for those who recently retired or are planning to retire this year. The SRB is planning to hire temporary help to provide support for this Section- 60 work.

2. Cost calculation questions related to MSERS Qualifying Service:

- a. Regarding the cost calculation process for the MSERS Qualifying Service only (*not the ORP participation calculation*), the SRB has identified about 200 submissions from individuals with prior MSERS service that was transferred to the ORP whose initial estimates require re-calculation.
- b. These employ^{EE}s had a year or more of service with the MSERS and were typically hired prior to 1996.
- c. The Dept. of Higher Ed. (DHE) and SRB will send these individuals a modified cover letter with the revised calculations as soon as they are available.
- d. The SRB has indicated that any over-payment for the cost to transfer coverage will be adjusted prior to or upon retirement.
- e. Reminder: The employ^{ER} contributions cannot be used to pay the cost to purchase Qualifying Service. These, along with any investment gained, are transferred to the State Pension system.

3. Determining years and months of service:

- a. A "Cost Calculation Date" is expected to be included on future cost statements. For those who have already received their Retirement Information package and related statement on the cost to purchase Qualifying Service, note that the calculation of service (and related cost) may be based on a date that was 4 to 5 months earlier than the mailing date identified on the cover letter of the Retirement Information Package.
- b. Any additional increase to the cost for Qualifying Service on the final "transfer bill" will not exceed the sum of contributions made after the estimated cost calculation date. The interest charge is waived for employ^{EE} contributions made after 12/31/13, and interest charges for prior contributions will not accrue after this date for anyone who transfers coverage to the MSERS and pays the final cost to purchase service in full.

4. Questions related to the Section 60 Implementation Process:

- a. For queries related to the calculations on cost to transfer, contact the SRB at this mailbox: orpinfo@tre.state.ma.us. The state plans to hire more temporary staff in order to respond more effectively to specific questions and better support the S-60 process.
- b. To address questions related to the receipt of your Retirement Information Package or any missing forms, contact the DHE at ORP@bhe.mass.edu.
- c. For MTA members' questions that are not being addressed by the two state departments, contact the MTA at ORP@Massteacher.org and copy Donnie McGee. Note Joey Hansen has resigned from his position as MTA Director and Tim Fitzgerald is serving in this capacity through June 30, 2015.

5. Using TIAA-CREF funds (“locked” or liquid) to pay for service purchases. Complete the enclosed TIAA-CREF Direct Transfer Form:

a. To use the “locked” TIAA *Traditional Account* funds in an employEE’s ORP assets: i. The TIAA-CREF Direct Transfer form included in the Retirement Information packets and designated for the TIAA Traditional Account “locked” funds must be completed, and returned *to the DHE* along with the other forms required to transfer, ii. Note: employEEs must contact their TIAA rep to start a Transfer Payout Annuity to unlock these funds if they are to be used in any way to pay the cost to transfer to the MSERS – *unless* the employEE plans to retire by 12/31/15. Then no TPA is required; TIAA will release all the locked funds in the Traditional account and waive all related fees upon the employEE’s authorization (via the form referenced above).

iii. TIAA Traditional accounts with less than \$5,000 may be transferred out of the Traditional Account as a single sum. The employEE would need to designate the destination of the transfer to a liquid fund or product in the ORP (not necessarily in TIAA-CREF).

iv. See the related notes in this update on using a payroll deduction plan to pay the cost to transfer.

b. To use non-locked/liquid TIAA-CREF funds in their ORP asset accounts, employEEs must also complete the enclosed TIAA form. Note this form authorizes all TIAA required EE contributions to be transferred to the MSERS and allows the employee to transfer voluntary rollovers as well, if s/he so chooses. Point 3 on this form typically applies only to those employees who voluntarily rolled over retirement funds other than the MSERS contributions into the ORP.

c. For further questions on the completion of the TIAA-CREF Direct Transfer Form, contact the Department of Higher Ed.: ORP@bhe.mass.edu

6. Paying the balance due to transfer coverage& the payroll deduction plan option:

a. Once the required paperwork and all required ORP employEE contributions have been transferred to the SERS, the SRB will calculate a precise cost for the purchase of Qualifying Service, will deduct any other resources that have been provided to the State to pay for the transfer, and submit a balance due statement to the employees, if any such balance exists. A related statement on this “final bill” will indicate how much Q. S. remains (if a balance due exists).

b. If a transferred employee (from ORP to MSERS) does nothing more to pay the bill and purchase more service, the newly transferred member will be credited with only that Qualifying Service which has been bought. The remaining service may be purchased at a later date; however, the 8% actuarial interest charge will continue to accrue, compounding yearly on any remaining S-60 Qualifying Service that has not been purchased.

c. An employee may pay the balance due via a payroll deduction plan (for a period of up to 5 years). A pre-determined amount is then withdrawn from the employee’s pay each pay period, until the balance is paid. The cost for the remaining service via this payroll plan will incur the mandated 8% interest charge plus a 4 % charge for administrative fees (a total of 12 % compounded annually). Employees may stop this payroll deduction at any time to pay the balance with other resources (such as liquidated TIAA funds) *or* agree to stop this process and settle for the amount of Qualifying Service purchased to date.

d. An employee may also choose not to purchase the remaining Section 60 Qualifying Service at this time, *or may choose not to establish a Payroll Deduction plan*, but instead pay this balance, or a portion thereof, *at a later date*, using other resources, including the TIAA Traditional Account funds in the ORP which have been unlocked via a Transfer Payout Annuity. However, the balance of the cost for the remaining service will accrue at the rate of 8 percent per year, as per the statute. i. Note: 2/13/15: See Update #3 for new information.

7. Completing the Retirement Information Package Forms:

a. **The Cover Letter** i. The Election Form Due Date stamped on this form is the date by which all relevant forms included within the Package, including the Election Form, must be mailed, in order to transfer to the MSERS.

ii. This letter identifies all the forms and briefly states their purpose.

iii. If you have missing forms, contact the DHE right away by email: ORP@bhe.mass.edu

b. Enclosures:

i. Statement of Qualifying Service:

1. This form provides the cost estimate for the transfer to the MSERS. For those hired before 1996, estimates for two types of service are, as a rule, provided: MSERS membership & ORP participation.

2. If you believe your cost calculation is inaccurate, as noted above, email the SRB *and* make 2 copies of that email. Include one with the forms you return to the DHE if you elect to transfer to the MSERS right away (because you want your required employee contributions transferred to the SRB as soon as possible).

email. Include one with the forms you return to the DHE if you elect to transfer to the MSERS right away (because you want your required employee contributions transferred to the SRB as soon as possible).

ii. MSERS Election Form:

1. If intending to transfer coverage to the MSERS, sign and date this form in the first space provided after the 7 points listed under the "Recitals" section. This will authorize the transfer of all required contributions to the State; the employee contributions will be used to pay the transfer cost.
2. In the *Other ORP Assets Section*, you may also authorize the state to use voluntary money transferred to the ORP on your behalf.
 - a. Point #1 is relevant to those employees who typically were hired prior to 1997 and had a year or more of prior MSERS service before electing to switch coverage to the ORP.
 - b. Point #2 relates to the (few) ORP participants who separately chose to roll over retirement accounts (other than the MSERS) into the ORP.
 - c. Select "yes" in the appropriate place if you want to use these assets to pay for the remaining cost to purchase service (because the estimated cost is equal to more than the total of your required EE contributions).
 - d. Leaving the "amount line" blank allows the DHE, in communication with the SRB, to edit the form to include the up-dated cost for service. If the entire amount is not needed, the DHE will contact employees to clarify a specific amount and get their written approval before any funds are transferred.
 - e. Note that cost calculations can also be appealed once an individual has transferred, are typically reviewed at the time of retirement, and can be adjusted after the fact if needed.

iii. TIAA-CREF Direct Transfer Service Credit Purchase Form:

This form should be completed by employees if **a)** they have any "locked" funds in either the Group Retirement Annuity or the Retirement Choice Annuity in the TIAA Traditional Account **and b)** they want to use these funds to pay the cost to transfer.

iv. MSERS/State Board of Retirement New Member Enrollment Form:

1. Complete Section A only, 1 – 5 (on the back), and submit to the DHE as is.
2. Do not bring this form to any other office or agency for completion of Section B. The DHE will handle this.

v. Group Insurance Commissions (GIC) Form-1:

1. Complete this form only if you wish to purchase Long Term Disability (LTD) insurance through the GIC. LTD coverage under the ORP ends when you join the MSERS.
2. Only 3 sections require the employee's response on this GIC form:
 - a. Complete all parts of the first 4 lines with your personal information.
 - b. Under the Basic Life, Health, LTD, and Optional Life Coverage section, check off the Long Term Disability section *only*.
 - c. Sign and date the form at the end.
 - d. Do not worry about obtaining the signature of an authorized official. The DHE will handle this.

vi. Standard Insurance Conversion Form:

1. Group term life insurance under the ORP ends when you switch to the MSERS.
2. Complete this form if you want to convert this insurance to an individual policy that you own and for which you will pay the premiums.

vii. MSERS Retirement Application:

1. Complete this form if you elect to transfer to the MSERS **and** plan to retire immediately (or in the next 120 days).

c. Mailing and completing the forms.

- i. Complete all the enclosures, where appropriate, to the best of your ability.
- ii. Do not add any comments or mark up the forms in any way, or they will be considered invalid and will require that new forms be filled out.

- iii. Do not bring or send any forms to any other state department or campus office. The DHE will coordinate the related S-60 events and obtain any required signatures that these completed forms require.
- iv. On or prior to the required due date for the submission of these forms, copy all completed forms and mail the entire packet to the Department of Higher Ed. from the Post Office with return receipt guaranteed.
- v. Use the address exactly as noted at the end of the Election Form.

8. Other Creditable Service Purchases:

- a. Other service purchases can't be completed until an employee
 - i. Joins the MSERS,
 - ii. Purchases all S-60 Qualifying Service, and
 - iii. Fully vests in the MSERS (10 years of full-time employment).
- b. To be eligible for out of state teaching service, the employee must currently be in a teaching position. This buyback process sometimes requires extensive documentation, so plan accordingly.
- c. "03" Contract Service for adjunct teaching and professional staff work:
 - i. This is for non-benefited work, immediately prior to being hired full-time.
 - ii. No gaps in service are allowed,
 - iii. Up to 4 years of service credit are allowed in total, and
 - iv. Interest is charged at the buyback rate of 4 percent, compounded annually.
 - v. The paperwork and documentation takes months to complete, so begin the process early, while you are waiting for the ORP transfer to take effect.
- d. Visit the Retirement Board website for further information and the related forms.