Massachusetts Teachers Association

S-60/ORP IMPLEMENTATION UPDATE #27 (7/11/18)

PROGRESS REPORT

On May 14, 2018 MTA met with representatives of the State Retirement Board (SRB) and the Department of Higher Education (DHE) to review implementation of Section 60.

MTA has repeatedly urged the SRB and the DHE to agree on common language that would be made available to all those affected by Section 60. This is of highest importance to those who have all or some of their ORP assets still in a TIAA Traditional account or have begun to take ORP assets out of a Traditional account by using a Transfer Payout Annuity (TPA) or Systematic Withdrawal (SWAT). MTA has offered to produce a preliminary draft in order to get the writing process started.

As can be seen below, from the discussion on May 14th, completion of a Section 60 transfer is complicated, and members are not given adequate information from the SRB and the DHE about meeting their obligations.[1]

1. Delay by the SRB in cashing checks, updating service cost and sending "bills"

At the May 14th meeting, the parties reviewed several cases that had been resolved.

It is worth remembering that the SRB handles not just Section 60 transfers; it is also responsible for thousands of service purchase requests from other state employees. Neither the SRB nor the DHE was provided with additional resources for administering Section 60.

Delays in cashing checks are caused not just by the quantity of checks the SRB receives, but also by glitches like vender errors or discrepancies related to the changeover from the SRB's "legacy system" to their new system.

[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.

Lack of bills for the balance of the service cost mainly affects those having assets in a TIAA Traditional account. The SRB has held off sending most bills for those with Traditional accounts, because the agency has not developed comprehensive procedures for handling these assets.

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

As was reported from the April meeting, the DHE maintains that any type of work done for a state agency after you leave your current job disqualifies you from liquidating your TIAA Traditional assets within 120 days. That prevents you from paying off your Section 60 obligations, which in turn prevents you from receiving your MSERS pension.

The DHE website now provides written information on how to pay off Section 60 obligations within 120 days after termination of state employment, but does not explain that if you do what many higher ed employees do, i.e., teach a course after retiring, that means that you have not terminated your state employment.

MTA asserted that such work has always been differentiated from your regular MSER/ORP-eligible job and should not bar you from liquidating your Traditional assets. As of the meeting on May 14th, this was not resolved. MTA is following up with a request for further information.

For now, it appears that you will have to relinquish any post-retirement teaching or other paid work for a state agency in order to be able to liquidate your Traditional assets.

Alternative solutions are being considered, but as yet there are no answers.

Another problem is that some members have missed the 120-day window for requesting liquidation of their Traditional assets. The DHE has proposed a method for addressing this, but the SRB has not agreed so far.

Given these developments it seems advisable to investigate initiating a TPA or SWAT, whichever applies, as soon as possible, especially if you do not expect to retire for another ten years.

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

MTA, the SRB and the DHE have been discussing what happens to earnings on EE assets in a Traditional account in the event a member pays the service cost bill with other resources.

There appears to be an agreement in concept by the DHE and the SRB that the member should keep the earnings on amounts already paid toward the Section 60 service cost, but there is no agreement on the specifics.

As was previously reported, the DHE is working on developing a "proxy" for allocating future net investment gains and interest on amounts paid toward the service cost where the equivalent amount remains in a Traditional account (or is being paid out in TPA/SWAT installments into a liquid account).

4. Payment of ER-funded assets and "excess" EE-funded assets from non-ORP sources

As has been pointed out previously, the total price of transferring from the ORP to the MSERS includes the EE-funded ORP assets equal to the Section 60 service cost, *and* EE-funded ORP assets in excess of the service cost *and* all ER-funded ORP assets.

The SRB currently does not accept non-ORP assets to pay the last two, i.e., the excess of EE-funded assets and the ER-funded assets.

MTA has requested that members be allowed to use non-ORP assets to pay these amounts.

There have been technical obstacles to putting this in place, which have been described in Update #26.

A further complication is that some other retirement plans, from which you might want to pay these other Section 60 costs, might not allow a transfer of assets in these circumstances.

This is another reason to explore the usefulness of a TPA or SWAT.

5. 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.