



## S-60/ORP implementation update #1 (11-4-14)

### RETIREMENT PLAN INFORMATION PACKAGE

#### The good news: Section 60/ORP Retirement Plan Packages are in the mail!

Most ORP participants who returned their NOI forms in the first week of May have now received their Retirement Plan Information Packages. The expectation for future Plan Info Packages is that they should arrive close to the legislated 180 day time period.

Do note, however, that many related questions have been sent my way over the past week regarding the Service and Cost Statements included in this Section 60 mailing. My comments below address many of the questions I have received and aim to provide some clarity to the S-60 implementation process going forward. When you review the details of your S-60 cost statement, it is important that you have your ORP provider records (from Fidelity, TIAA-CREF, or VALIC) close at hand to better understand the cost to transfer to the MSERS. Contact your provider rep. for these records if you do not have them.

#### 1. The State Retirement Board (SRB) Cost Statement identifies how many years of Qualifying Service can be purchased and indicates:

- a. The cost for time spent in the MSERS for those who were members of the pension system immediately prior to joining the ORP (typically those hired in 1996 or before),
- b. The cost for participation in the ORP, and
- c. The total cost to transfer (MSERS plus ORP time), along with the years of creditable service earned during this time of continuous service. i. Note: if a participant's required employ<sup>EE</sup> contribution assets are greater than the cost to purchase Qualifying Service, the excess funds will be turned over to the State and considered the cost to transfer to the MSERS. The law does not allow a participant to receive a double retirement benefit from the state (one from the ORP and one from the MSERS) for the same time period.

#### 2. Cost and years of service are based on the date noted on the Qualifying Service statement:

- a. The actual cost and years of service will not be completely calculated until the ORP assets are transferred to the state and the paperwork is complete.
- b. The good news: the final cost, if you do not choose to pay any balance owed via a payroll deduction payment plan, will equal the current cost calculation from the state plus the sum of the employ<sup>EE</sup> contributions made to the ORP while waiting for this transfer to occur. No interest is charged after 12/31/13 for participants who pay the complete cost for Qualifying Service when they join the state pension system (MSERS).
- c. Months and days of creditable service will also accrue while waiting for the transfer to be processed.

#### 3. Paying for Qualifying Service: Employ<sup>ER</sup> assets cannot be used to pay the transfer cost

- a. ORP Assets consist of a variety of sources: Employ<sup>EE</sup> and employ<sup>ER</sup> required contributions, transfers of sums from prior MSERS contributions to the pension system, and other retirement products voluntarily rolled over into the ORP.
- b. The concern: From the cost statement itself, it is not obvious that the employ<sup>ER</sup>'s contributions to the ORP may not be applied to pay the total cost identified on the S-60 Statement of Qualifying Service (#3). The employ<sup>ER</sup>'s share of the total ORP assets is transferred to the State Pension system along with any investment gain proportionate to this contribution.
- c. Only the employ<sup>EE</sup>'s share of the ORP assets (including investment gain) can be used to pay the cost transfer. To know the exact amount of ORP assets available to pay this cost, review your provider statement. Contact your provider if more input is needed. As a general rule, about 70 percent of the combined total of employ<sup>EE</sup> & employ<sup>ER</sup> ORP contributions may be applied to this transfer "bill."
- d. The provider statement should identify precisely the balance of the EE funds and the ER funds as of a certain date. This amount changes with each pay period for those participants still employed and will be affected by any investment gain or loss going forward from that date.
- e. Participants can also use other ORP assets and other resources to pay for the transfer "bill":
  - i. Those who transferred their MSERS contributions to the state can apply this sum (and its investment gain) to the transfer cost.
  - ii. Any voluntary retirement funds rolled over into the ORP can be used to pay this bill.
  - iii. Personal assets and other non-ORP retirement funds may be used to pay any remaining cost to transfer.

iv. Berkshire Bank in consultation with the MTA has developed other loan options for ORP participants. For more information, send an email to: [ORP@massteacher.org](mailto:ORP@massteacher.org)

v. For more related information, see Question 10 on the FAQ link on the DHE's website. (See link at the end of this document.)\*

#### **4. Questions related to Qualifying Service and the cost to transfer to the MSERS:**

a. Clarification on the calculation of prior MSERS Qualifying Service: "Any funds transferred from the MSERS to the ORP will incur the actuarial interest (8%), compounding annually from the date of transfer to the ORP through to 12/31/13." For some participants, the date this sum was transferred differs from the date they enrolled in the ORP. Contact your ORP provider for the amount of this MSERS sum and the date it was transferred to the ORP. This is important because the cost for this MSERS time will be less if the transfer of this sum occurs later than the enrollment date in the ORP.

b. For questions about the calculations of cost or service, the Retirement Package Cover Letter requests that you contact the State using this email box: [orpinfo@tre.state.ma.us](mailto:orpinfo@tre.state.ma.us) Please copy these emails sent to the state to this MTA mailbox: [ORP@massteacher.org](mailto:ORP@massteacher.org) if you want the MTA Higher Ed. Director to know about your questions. CORRECTION: Email sent to this address are not forwarded to Donnie McGee. Please copy me directly if you want me to be aware of your queries.

c. Please wait to seek information from the above sources until you have read all the points on this page and visited the related Section 60 FAQ website pages. (See the link at the end of this document.)\*

#### **5. Use of TIAA Traditional Fixed Annuity Products ("locked funds") to pay the transfer cost:**

a. Two of the TIAA traditional products (Group Retirement Annuity and Retirement Choice Annuity) have strict guidelines as to how much can be withdrawn, how often, and over what time period. For more information on these funds, go to the Department of Higher Ed.'s (DHE) ORP website and review Question 12 from the Section 60 FAQ (at the end of this document\*).

b. TIAA recently sent letters to all eligible Section 60 ORP participants with TIAA assets, to let them know the following: i. Those participants who choose to retire right away under Section 60 will be able to waive the withdrawal restrictions and any related fees and apply the entire sum to the cost to transfer.

ii. Generally, this means that participants retiring in the next year who transfer to the MSERS will be eligible for this waiver; contact your provider and/or the DHE if you want further information on this: [ORP@bhe.mass.edu](mailto:ORP@bhe.mass.edu).

iii. Those with locked TIAA funds who are not planning to retire in the next year and have no other resources to pay for the transfer may set up a Transfer Payout Annuity (TPA) to begin the "extraction" of these restricted funds and then sign onto a payroll deduction plan for up to 5 years to pay the balance. The TPA sets up a mechanism that allows the participants to transfer funds over time to the State to pay this bill. Contact your provider for more information.

Note: 2/13/15: After publication of this Update, some of these procedures were changed. See Update #2 for details.

#### **6. Returning Section 60 forms to the State:**

a. Compare features and benefits of each plan before making the decision to transfer (or not) to the MSERS.

b. Know that the current cost to transfer to the MSERS may be offset by future retirements benefits.

c. When returning forms, mail them directly from the Post Office on or before the due date, with return receipt required.

d. Return forms immediately if you want to retire this year. Be sure to indicate your projected retirement date if that is the case.

e. Consider waiting to return these forms if you have started a TPA to extract the TIAA funds or if you want more time to make the decision or more time to save to pay for the transfer cost. Understand that there is risk involved with whenever you choose to transfer as the market fluctuates.

f. The decision to transfer is irrevocable. Should you not respond within the legislated deadlines, you will remain in the ORP. No response is necessary.

\* For a detailed FAQ on the S-60 transfer process, visit the ORP

Website: [www.mass.edu/foremployees/orp/section60faq.asp](http://www.mass.edu/foremployees/orp/section60faq.asp)

\*\* For updates from the DHE on the S-60 implementation process, visit this site regularly: [www.mass.edu/foremployees/orp/section60.asp](http://www.mass.edu/foremployees/orp/section60.asp)

