



## **PROGRESS REPORT**

On July 10, 2015 MTA met with representatives of the State Retirement Board and the Department of Higher Education to review implementation of Section 60. Following is a summary of the main topics of discussion.

### **1. Retirement Plan Information Packages**

The DHE has sent out 2,046 Retirement Plan Information Packages as of the end of June. 50 RPIP's remain to be sent.

### **2. Election Forms Received and Not Received**

As of the end of June, the DHE had received 916 election forms. 892 were elections to transfer to the MSERS. Twenty-four were elections to remain in the ORP.

Two hundred ORP participants who had sent in a Notice of Interest and who had received an RPIP did not return an Election Form to the DHE by their deadline.

### **3. Transfer of Assets from ORP to MSERS**

The DHE has sent provider checks to the SRB for 25 former ORP participants. As of the meeting on July 10<sup>th</sup>, a number of checks the SRB had received in April had not been cashed. This delay was caused by the need to accommodate the SRB's old computer system to the Section 60 process. The SRB expects speedier action on payments now that adjustments have been made.

The DHE cannot initiate the transfer process until the SRB has provided updated cost estimates. As has been noted before, the SRB has had an unusually heavy workload because of Section 60 responsibilities and because of the recent Early Retirement law that went into effect in the spring.

### **4. Bills for balances**

After ORP assets have been transferred, the SRB determines whether the amount received is sufficient to pay the updated cost of Section 60 service. If there is a balance due, the SRB sends a bill to the individual. Payment is due within 35 days.

After 35 days, the 8% interest charge is added to the balance. (The 8% interest was temporarily suspended after December 31, 2013.)

## 5. Awaiting Answers on Questions to the State Retirement Board

Some ORP participants who are deciding whether to transfer to the MSERS have sent questions to the State Retirement Board about items in their Retirement Plan Information Packages.

Because the SRB has to answer many questions from many state employees about service and purchase of service, answers are slow in coming.

However, not all questions concern possible calculation errors about an individual's service or costs. Some questions deal with the Section 60 process and can be answered by reviewing documents in the RPIP and reading the information on the SRB and DHE websites.

Here are examples of questions that do not involve specific service and cost numbers.

### **Did the SRB include the employer's contribution in the Estimated Cost?**

The answer is, "No," as can be seen in your Retirement Plan Information Package on the Section 60 Statement of Qualifying Service.

The section of the Statement entitled "Cost of Purchasing Qualifying Service" says, "*Pursuant to Section 60, the cost to transfer membership under the legislation is equal to a **participant's own annual ORP retirement contributions plus actuarial interest (8%) compounded annually through December 31, 2013.***" (Emphasis added.)

The next sentence pertains to whatever contributions you might have made to the MSERS before becoming an ORP participant. "*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 December 31, 2013.*" (Emphasis added.)

Remember, however, that if your ORP provider statement shows that you have more in your account based on *your* contributions, not the employer's, plus the investment gains and interest on *your* contributions, you are required to pay that larger amount. This is stated in the Section 60 FAQ's on the DHE website under Question 8. See [www.mass.edu/forfacstaff/orp/section60faqs.asp](http://www.mass.edu/forfacstaff/orp/section60faqs.asp).

### **How can I find out what the Estimated Cost will be currently or at a date in the future?**

The Section 60 Statement of Qualifying Service contained in your Retirement Plan Information Package explains how to update an Estimated Cost.

In the same section entitled “Cost of Purchasing Qualifying Service” the last sentence reads, “Estimated costs as determined above will increase by the addition of each Employee Plan Contribution remitted to the ORP on or after \_\_\_\_\_.” On your Statement the blank will show a date. That date also appears on the second page of the Statement under “Calculation Date.” It tells you when the SRB stopped adding your annual contributions. You can update the Estimated Cost by adding the contributions shown on your pay advices since the Calculation Date. You do not need to add interest, since the 8% interest was temporarily suspended after December 31, 2013.

Again, note what is said above about comparing the Estimated Cost to your provider statement to see what the larger amount is, i.e., your Estimated Cost or the assets that include your contributions and the gains on your contributions. Whichever is the larger amount is the amount required to be paid.

#### **Can I use the employer’s contributions to help pay the Estimated Cost?**

The answer is “No.”

The MSERS Election Form explains under the section entitled “Requirements for Certification to Request MSERS Election” that you “forfeit all benefits, rights and privileges attending those assets in [your] ORP account(s) that are attributable to the Commonwealth’s Employer Plan Contributions.”

To further explain this, the DHE website contains a link in the March 16, 2015 update to “Detailed Notes on the Forms.” One of the stipulations in electing the MSERS is that “the Commonwealth’s Employer Plan Contributions to your ORP account and the related investment gains and interest will be transferred to the state’s Pension Reserve Fund, and *therefore are not available to purchase service for you...*” (Emphasis added.) This can be found in Part 6 of the March update at [www.mass.edu/forfacstaff/orp/section60.asp](http://www.mass.edu/forfacstaff/orp/section60.asp).

#### **Doesn’t the SRB have to tell me what my pension will be before I make a decision?**

It is impossible for the SRB to know the amount of a pension until the MSERS member has purchased all service and has ended his/her employment with the Commonwealth; there is no requirement in Section 60 that the SRB seek information from ORP participants in order to make an estimate.

An individual ORP participant or MSERS member can try out various scenarios on the SRB's Retirement Percentage Chart, found at [www.mass.gov/treasury/retirement/state-board-of-retire/forms-and-publications.html](http://www.mass.gov/treasury/retirement/state-board-of-retire/forms-and-publications.html). This can give you an idea about your pension benefits, but it would be based on assumptions about the duration of your employment and future salary increases.