



S-60/ORP implementation update #10 (9-23-15)

PROGRESS REPORT

On September 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. Review of the matter of TIAA “locked funds”**

The SRB has not relinquished its claim to ORP employer-funded assets and employee-funded assets that are held in so-called “locked funds.” That is, TIAA Traditional Accounts, i.e., “locked funds” are not “sheltered” from collection by the SRB.

**A Section 60 transferee to the MSERS must pay two amounts required by Section 60:**

- (1) The larger of the sum of the employee’s required ORP contributions plus 8% annual interest, OR the amount of employee-funded assets in the ORP,

**AND**

- (2) The employer-funded assets in the ORP.

Those Section 60 transferees who have assets in the Group Retirement Annuity or the Retirement Choice Annuity must bear in mind that these assets do not belong to them once they transfer to the MSERS. (This statement would have to be qualified, however, for anyone who pays the equivalent Section 60-required amounts from other resources to the extent possible instead of transferring ORP assets.)

**2. Retirement Plan Information Packages**

The DHE has sent out 2,079 Retirement Plan Information Packages as of the end of August. Seventeen ORP participants have not yet received their RPIP’s.

Additionally, 65 current MSERS members who may wish to purchase prior ORP time will be receiving statements indicating their Estimated Cost for that period.

### **3. Election Forms**

So far, 1,031 ORP participants have elected the MSERS.

### **4. Delays in the transfer of ORP assets**

**It is important to note that the law does not specify any deadline for the DHE to transfer ORP assets.**

Although the SRB and the DHE had anticipated being able to transfer ORP assets within 90 days of MSERS enrollment, that timeframe proved to be overly optimistic.

Thus far, approximately 50 asset transfers have been completed. These are for Section 60 transferees who have already retired and who have been generally without income while the Section 60 process is being carried out.

Another 1,600+ asset transfers will need to be done.

### **5. Need for more resources for the SRB and the DHE**

It is reasonable to anticipate that there will be about 1,600 to 1,700 new Section 60 MSERS members who will have to have their ORP assets transferred to the MSERS.

The question posed to the SRB and the DHE is “What will it take for the whole Section 60 process to be wrapped up by the end of December 2015?”

The current procedure for implementing the transfer of ORP assets starts with an updated calculation of service and cost by the SRB, which the SRB sends to the DHE. The DHE then prepares a request for the asset transfer, which the DHE sends to the provider. The provider then sends the checks to the DHE to be transmitted to the SRB.

The SRB estimates that each cost update takes an hour, and assuming that the DHE will in turn have to spend at least an hour to prepare each request that it transmit to the provider(s), that could mean that the SRB and the DHE will each need to cover 1,600 to 1,700 hours of additional Section 60 work time over and above their other Section 60 responsibilities and their Non-Section 60 responsibilities.

The DHE may need more than an hour for any individual case in preparing the transfer request. Some cases require communication with the new MSERS member about his/her unique circumstances.

It should also be noted that neither the SRB nor the DHE has any control over the amount of time that the providers take to complete their part of the asset transfer sequence.

MTA intends to pursue ways of speeding up the Section 60 process.