



**S-60/ORP IMPLEMENTATION UPDATE #16 (3/11/16)**

**PROGRESS REPORT**

On March 4, 2016 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. Transfers of ORP assets**

The rate of asset transfer is still too slow for the initial transfers to be completed before 2022.

**2. Accelerating the transfers**

The DHE has not hired temporary staff to help with this work yet but is using the formal state job advertising procedure as well as informal procedures to identify potential applicants.

The DHE will also need a temporary increase in its FY 2017 appropriation in order to have a hope of completing the initial phase of ORP asset transfers by June 30, 2017.

**3. Another reminder about Section 60 payment obligations**

Section 60 imposes a threefold payment obligation on anyone seeking to transfer from the ORP to the MSERS:

- (1) The employee's ORP contributions plus 8% annual actuarial assumed interest;
- (2) The employee's ORP contributions plus the earnings on those contributions if that total is more than #1 (which probably does not apply to everyone in the ORP);
- (3) The employer's contributions plus the earnings on those contributions (which combined amount cannot be used to pay #1)

If you want to transfer to the MSERS, or if you have already been welcomed into the MSRS it would be prudent to avoid thinking of your transfer as final until you have met all three of the obligations listed above.

#### **4. Balance Due**

If all of your ORP assets have been transferred to the DHE, but if the amount transferred didn't include enough employee-funded assets to pay #1, you would not owe anything under #2 (since your employee-funded assets were less than #1). Because all of your employer-funded assets would have been transferred, you would not owe anything under #3. The SRB would send you a bill for the balance of #1 that you owe.

That bill would accurately reflect what you owe pursuant to Section 60.

However, if you transferred to the MSERS some part of your ORP assets that were liquid, but had thousands of dollars in your TIAA Traditional account that could not be transferred, would the SRB send a bill for #1, #2 and #3? Or just #1?

According to its current procedures, the SRB sends a bill only for the amount of #1.

This can lead to the erroneous belief that you don't owe the amounts of #2 and #3.

The DHE and the SRB have not yet devised a method for billing and monitoring payments for #2 and #3. MTA continues to urge the DHE and the SRB to put in place a comprehensive procedure for fair and complete collection of Section 60 payments.

#### **5. Interest on balance after 35 days from the date of the bill**

We have not been able to get consistent answers as to what interest rate will be charged. Initially we were told that it would be 8%. Subsequently we learned that it would be 4%. Or maybe 3.75%.

Then we calculated the interest rate on bills that have been sent by the SRB. These seem to indicate that the interest rate would be 2.4% or 2.2%.

#### **6. Carrying charge?**

Initially we were told that in addition to interest, there was a 4% carrying charge if you used a payroll deduction plan. The bills from the SRB that we have seen do not mention a carrying charge.

The SRB has not decided if a carrying charge will apply to someone using a Transfer Payout Annuity rather than a payroll deduction plan.