



S-60/ORP IMPLEMENTATION UPDATE #12 (11/23/15)

PROGRESS REPORT

On November 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. Transfer of ORP Assets

Although the pace of the transfer of ORP assets to the MSERS has increased since August, even if that higher monthly rate continued, MTA believes it would take 7 or 8 years for the process to be completed (exclusive of any installment payments). MTA has said that even if it took 2 years, that would be unacceptably slow.

MTA reported on our communications with Treasurer Goldberg's office. The Treasurer has been limited in her availability as the result of a slow-healing ankle injury, but we expect to be able to meet with either her or other members of her staff to discuss the seriousness of the Section 60 situation and the need for additional resources for the SRB and the DHE to improve Section 60 implementation.

2. Retirement Plan Information Packages

The DHE has sent 2079 Retirement Plan Information packages and has 17 more to send to those still in the ORP who had sent in a Notice of Interest. The DHE cannot send an RPIP until it has the service and cost numbers from the SRB. The SRB has not yet calculated the service and cost numbers for these 17 remaining ORP participants because of anomalies in their records. The RPIP's for this group were due no later than the end of April, 2015.

There are still 64 current MSERS members who wish to purchase past ORP service to add to the creditable service they have in the MSERS. The RPIP's for this group were due no later than the end of June, 2015.

These delays are another aspect of the problem of the lack of adequate staffing at the SRB and the DHE.

3. Correction of Erroneous Information

A report came in from a member that she had been informed that the interest on buyback of "03" service is now 8%, not 4%. This is not true. Interest on "03" service, also referred to as "contract service" continues at the 4% buyback rate.

4. Locked Funds (TIAA Traditional Accounts)

The majority of the meeting was dedicated to an examination of the problems associated with transferring ORP assets from TIAA Traditional to the MSERS.

Background: the Section 60 law requires as a condition of transfer to the MSERS payment of (1) the larger of the mandatory employee contributions + 8% actuarial assumed interest or the value of mandatory employee contributions + their net investment gains and interest, AND (2) the employer's contributions + their net investment gains and interest. The latter cannot be used to help purchase years of ORP employment as creditable MSERS service.

Despite restrictions on the transfer of ORP assets in TIAA Traditional (the so-called "locked funds" issue), the DHE and the SRB do not have a system to collect the employer's contributions and earnings and the total amount of employee contributions and earnings, either over time or in a single lump sum payment from other sources.

The result of this disjunction in the Section 60 process is twofold:

- (1) Employees may not realize that the state has a claim to all of the amounts required by Section 60, and may be asked to produce that amount before they are likely to receive retirement income.
- (2) Alternatively, if the SRB and the DHE fail to collect the entire Section 60 amount, there would be an inequity in implementation because employees whose unlocked ORP assets were fully transferred in accordance with Section 60 might have paid at least 43% more to enter the MSERS than those of their colleagues who have all their ORP money in locked funds.

MTA's position is that both results are unacceptable.

This issue will be included on the agenda for the meeting with the Treasurer or her designees.