12/3/15

TO: Members Transferring to MSERS

Are your ORP assets still in the ORP?

The slow rate of transfer of ORP assets to the MSERS is an ongoing problem. At the rate of the past two and a half months, it would take about 7 years to complete this process.

Sounds like it must be a joke, but it’s not.

The two agencies responsible for asset transfers, the State Retirement Board and the Department of Higher Education, do not have the capacity to significantly accelerate the process.

MTA has brought this to the attention of the Treasurer of the Commonwealth, Deborah Goldberg. We are scheduled to meet on December 14th with members of Treasurer Goldberg’s staff to talk about directing additional resources to the State Retirement Board and the Department of Higher Education.

Do you have enough ORP assets to pay for service?

Remember, the money in your ORP account that came from the employer cannot be used to pay for your service. That includes the employer’s contributions as well as the net investment gains and interest on those contributions.

Who gets the employer-funded assets in the ORP when you leave the ORP to go into the MSERS?

The state gets it. According to the Section 60 law, those assets are to be transmitted to the Pension Reserve Fund. Assets in this fund do not purchase creditable service for the individual member.

Is a loan realistic?

If you do not have sufficient employee-funded assets to pay for your service, and if you do not have other resources that you can make available, it might be worthwhile to check into the loan program worked out between MTAB and Berkshire Bank. These are unsecured loans, so the interest rates reflect that. However, the cost of these loans should be compared to the cost of using a state payroll deduction plan.

Please note that these loan programs have been extended through February 29, 2016. You would need to act before then if you think you might want to take advantage of one of these loans.

More information is available on the MTA website in the S-60 Toolkit at


Errors in the Section 60 Statement of Qualifying Service?
Many will remember how the SRB made 200 errors last fall in calculating the cost of purchasing ORP time.

Those were not the only errors.

It is worth using the MTA Estimator on the MTA website to check the cost provided on the Section 60 Statement of Qualifying Service. The Estimator can be found at


The MTA Estimator identified errors in the cost calculations for two members. Each error would have cost the member $17,000 or $18,000 more than the amount the member actually owed.

Questions, concerns, complaints about the move from the ORP to the MSERS?

Write to orp@massteacher.org.

I look forward to hearing from you.

Donna Sirutis
Massachusetts Teachers Association

8/24/15

The Price of Transferring

I continue to hear that ORP participants who are considering transferring to the MSERS do not understand the full “price” of the transfer. I use the word “price” in order to differentiate it from the Total Estimated Cost that appears on the ORP participant’s Section 60 Statement of Qualifying Service.

The “price” of transferring has two separate components.

1. The amount that has to be paid to purchase ORP time and any earlier MSERS time. This amount is determined in one of two ways. It is the larger of the two:

   - The Total Estimated Cost that appears on the Section 60 Statement of Interest
   
     OR
   
   - The value of the ORP participant’s contributions to the ORP plus investment gains and interest on those contributions.
2. The amount that the employer, i.e., the Commonwealth, has contributed to the ORP account and the investment gains and interest on that amount. This amount does not help pay for service; it is transferred to the Pension Reserve Fund to benefit the MSERS in general.

Any questions about this should be sent to me at orp@massteacher.org.

Evaluating the Estimated Cost on the Section 60 Statement of Qualifying Service

The State Retirement Board calculates the Total Estimated Cost.

The State Retirement Board is not infallible.

I urge everyone to go to the MTA website and do an independent calculation with the MTA Estimator in the S-60/ORP Toolkit.

The MTA Estimator will use the amount originally transferred from the MSERS to the ORP (from a statement provided at the time of the transfer), the amount of employee ORP contributions each year (which can be obtained from W-2’s), and the 8% annual actuarial assumed interest to calculate a total cost. Match the end date for the Estimated Cost to the end date in the MTA Estimator to make sure the numbers are calculated using the same date. The total dollars should be close. If not, I suggest that this be brought to my attention at orp@massteacher.org right away. If we can reconcile the numbers, there would be no need to contact the State Retirement Board. If not, the discrepancy should be communicated to the State Retirement Board at orpinfo@tre.state.ma.u.


Other Question

Questions and concerns about any stage of the Section 60 process can be sent to me at orp@massteacher.org.

Thank you.

Donna Sirutis
Massachusetts Teachers Association