OPTING OUT OF THE ORP: 
THE LEAST YOU SHOULD KNOW!

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ORP/SECTION 60 WORKSHOP - MAY 2014
TO BE, OR NOT TO BE, … IN THE ORP?
THE TIME FOR A DECISION IS NOW!

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ORP/Section 60 Workshop  May 2014
PENSION REFORM ACT OF 2011: SECTION 60 – THE ORP PROVISION

• One-time, time-limited, opportunity for ORP participants to transfer retirement coverage to the MSERS

• IRS ruling on 9/30/13 enables this legislation.

• Law establishes a clear implementation process and related timelines.

• Notification of eligibility by May 1, 2014
WHO’S ELIGIBLE TO “OPT OUT”? 

- Active ORP participants as of the IRS ruling receipt and participants on an approved leave of absence of 2 years or less on 10/5/13

- Active MSERS members with intact ORP assets

- “Deferred Retirees” - eligible participants who “retired” after 10/5/13 but have not drawn from their ORP assets or their MA state pension*

* To maintain eligibility, Deferred Retirees must retain all assets in the ORP.
SECTION 60 IMPLEMENTATION:
A 5 STEP PROCESS, WITH DEADLINES

1. **Eligibility Package**: 4/15 - 5/1/14
   - **Section 60 Effective Date**: 5/1/14

2. **Notice of Interest Form**: due 10/27/14

3. **Retirement Plan Info. Package**: sent by the Dept. of Higher Education (DHE) within **180 days**

4. **Plan Election Form (MSERS or ORP)**: returned to the DHE within **180 days**

5. **Transfer of ORP assets**: within **90 days**

*No (timely) participant response: No opting out!*

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ORP/Section 60 Workshop May 2014
STEP 1: NOTICE OF ELIGIBILITY PACKETS

Eligibility package mailed by 5/1/14:

1. Notice of Eligibility Letter
2. Notice of Interest Form (due 10/27/14)
3. Section 60 Procedure Overview (steps and deadlines)
4. Section 60 Seminar Schedule (DHE & SRB)
5. Return envelope

*No response: Participant remains in the ORP.
STEP 2: NOTICE OF INTEREST FORM
NOT A COMMITMENT: RETURN BY 10/27/14

1. “Deferred Retirees” and prospective retirees:
   • Identify your target or actual work retirement date.
   • Return the Notice of Interest Form ASAP.

2. Others: Strategize before returning this form.
   • Find out the liquidity of your ORP assets (from ORP statements and/or provider reps). Note TIAA restrictions.*
   • Estimate your years of service and the related cost.*
   • Consider whether taking the maximum amount of time to return this form will ease the cost to transfer.*

*Above points will be discussed in later slides.

Return Interest Form > Retirement Info Package sent:
• SRB calculates the cost and service for participant.
STEP 3: RETIREMENT PLAN INFORMATION PACKAGE

Within 180 days of the Interest Form receipt, the State responds to the participant (retirees first):

1. Reports the amount of “Qualifying Service”
2. Identifies the related cost for this service
3. Includes a Plan Election Form (MSERS or ORP?)*
4. Includes an MSERS Membership Application
5. No response: Participant remains in the ORP!

*Plan Election Form is due to DHE within 180 days.

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MEMBERSHIP IN THE MSERS:
TWO TYPES OF “QUALIFYING SERVICE”

1. **MSERS**: Any service in the MSERS immediately prior to enrollment in the ORP, if applicable.

2. **ORP**: All time spent as an ORP participant.

- All qualifying service must be purchased (MSERS & ORP).
- State Retirement Board (SRB) will determine the amount of “Qualifying Service”.
- Other creditable service may be purchased after becoming a member of the MSERS.
HOW WILL THE SRB CALCULATE THE COST TO PURCHASE S-60 SERVICE?

• The sum of an employee’s required contributions, plus actuarial assumed interest (8%), compounded yearly
  • **ORP time**: Accrual begins with the first required contribution to the ORP.
  • **MSERS service**: Accrual begins with the date that MSERS funds were transferred to the ORP.
• Accrual freeze on **12/31/13**: Cost increases only by the required EE contributions thereafter.

*Estimate the cost for all Qualifying Service (ORP and MSERS)
**Contact Providers for ORP asset SOURCE info: “EE” or “ER”.
***EE assets represent about 70% of the total ORP assets derived from required contributions.
HOW DO I PAY FOR QUALIFYING SERVICE?
USE ORP EMPLOYEE ASSETS FIRST.

1. Required employEE ORP contributions, plus investment gains, must be used first.
   - “Greater than” language in S-60 determines the final cost.
2. Other ORP assets available:
   - Any MSERS contributions transferred to the ORP, plus investment gains
   - Any assets rolled into the ORP, plus investment gains
3. EmployER assets cannot be used to purchase service.
   - ER assets are paid to the State to fund the pension.
   - ER assets represent about 30% of the total ORP assets derived from required contributions.

* The DHE will handle ORP asset transfers to the SRB.
** Note the restrictions with TIAA annuities (next slide).
USING TIAA TRADITIONAL FUNDS: NOTE THE RESTRICTIONS

1. Group Retirement Annuity*: 9 year, 1 month payout
2. Retirement Choice Annuity: paid out in 84 monthly installments (7 year period)

*Exception for Section 60 retirees: A lump sum distribution to a rollover is allowed, with no exit fee.

**Set up a Transfer Payout Annuity (TPA) to
- Reduce the initial purchase cost by freeing 10% (+) of ORP assets.
- Pay down a payroll payment plan with later installments.
- Consider the timing when transferring these installments in order to reduce the principal most effectively.

***NOTE: CREFF & TIAA Real Estate assets are fully liquid/useable.
HOW TO PAY FOR ANY SHORTFALL: A VARIETY OF OPTIONS AVAILABLE

Use lump sums first to pay the balance due:

- Smart Plan Assets, 403(b) Elective Deferral Savings Plan Assets
- IRAs, 401(k) assets and other 457(b) plans, including OBRA assets (A rollover is required first.)
- Single sum payments from personal assets
- Any combination of the above

*Consider the time factor when making rollover requests.

Remaining balance:

- Payroll deduction payment plan (6 months to 5 years)
BEFORE RETURNING THE PLAN ELECTION FORM: PAUSE! USE THE 180 DAYS TO GET INFORMED!

Where to get information/help:

1. Go to DHE’s ORP website for participants:
   http://www.mass.edu/foremployees/orp/orp.asp
   • Key features of the two retirement plans are outlined.
   • Note the Section 60 Pension Reform link for Updates and Q & A document.

2. Review the Benefit Guide to MSERS*:
   www.mass.gov/treasury/docs/retirement/retguide.pdf

3. Meet with financial/retirement experts.

Estimate your retiree income under each plan:
• Note the MA Group 1 retirement percentage chart.
• Social Security Offsets apply to members in both plans:
  http://www.socialsecurity.gov/gpo-wep/
THE MSERS OR THE ORP?
REVIEW THE INSURANCE OPTIONS

**Note the insurance issues:**

- ORP Long Term Disability ends with the last ORP contribution, but may file a claim if incurred under the ORP.
- ORP Group Term Life Insurance: “Transferees” may convert to individually-owned and paid insurance policies **without proof of insurability**.

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- GIC Retiree Health Insurance: eligibility, coverage, and cost are exactly the same for members of both plans.
- GIC Long Term Disability Insurance: offered **without proof of insurability** (if not previously denied by current ins. co.)
STEP 4: SUBMIT ELECTION & APPLICATION FORMS (180 DAY DEADLINE)

1. Plan Election Form (MSERS) authorizes the DHE to transfer ORP assets:
   - EmployER assets go to the Pension Fund.
   - EmployEE assets go to the SRB to pay for Qualifying Service.
2. The MSERS Application is sent to the SRB.
3. SRB updates the “bill” when lump sums are remitted.
   - Final bill adjusts for any EE contributions to the plan since the SRB issued its initial statement of cost to the participant.
4. Participant pays for any shortfall and/or sets up a payroll payment plan.

*No timely response: Participant stays in the ORP.*
STEP 5: COMPLETING THE “ORP TO MSERS” TRANSFER

- The DHE issues a final report of the ORP assets transferred to the State Retirement Board (SRB).

- TIAA Traditional Installments are held in the ORP and used to pay off any balance in a payroll payment loan.
  - Manage the timing of these payments.

- The Transfer to the MSERS is now complete!

*The decision to join the MSERS is irrevocable!
THANKS TO SO MANY PLAYERS IN THIS 8 YEAR ORP JOURNEY!

- MA Community College Council (MCCC)
- MCCC’s ORP Ad Hoc Committee
- MCCC’s Strategic Action Committee
- MTA: Leadership, Legal & Governmental Divisions
- ORP Administration, Department of Higher Education
- State Retirement Board

* Thanks to the ORP participants who told their stories and the activists who led the charge!
OPTIONAL RETIREMENT PLAN (ORP) WORKSHOP
PRESENTER INFORMATION

Diana (Donnie) McGee
• ORP Ad Hoc Committee Chair
• MCCC Vice President & SAC Chair
• MTA Board and NEA Director

Richard Nunes
• ORP Plan Administrator
• Director, Retirement Plans Administration
• Department of Higher Education
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Changes in the law and its implementation after the date this information was published may affect its accuracy.

If you have questions pertaining to your rights to transfer from the Optional Retirement Plan (ORP), contact the Department of Higher Education: ORP@bhe.mass.edu