

Completing Section 60 Payments with Post-Employment Transfer of ORP Assets

If you currently are a member of the Massachusetts State Employees Retirement System (“MSERS”) who:

1. changed retirement plans from the ORP to the MSERS under Section 60, and
2. the Dept. of Higher Education has either attempted to transfer or did transfer some of your ORP assets to the MSERS under Section 60, and
3. you left some or all of your ORP assets in TIAA Traditional Account

then you must remit all of the Employer Assets* and (possibly) some or all of the Employee Assets** remaining in your ORP account to the MSERS, before any retirement benefit may commence from the MSERS. Look further below for guidance in determining the amounts due.

**Employer Assets* are all ORP assets attributable to the Commonwealth’s Employer Contributions (contributions plus net investment gain/interest) to your ORP account.

***Employee Assets* are all ORP assets attributable to your own Employee Contributions (contributions plus net investment gain/interest) to the ORP.

Personal Assets may be comprised of many different sources. These (mostly) include the following, and where applicable, net investment gain and interest:

- funds transferred/rolled into the ORP from the MSERS;
- funds rolled into the ORP from other retirement plan accounts;
- personal, after-tax savings (*e.g.* savings account)
- amounts paid to the MSERS via Payroll Deductions, in order to purchase creditable service under Section 60.

You *are not required* to remit any Personal Assets from your ORP account to the MSERS, but if necessary, you may voluntarily use these funds to help complete your Section 60 service purchase.

Department of Higher Education

The Department of Higher Education (DHE), as the ORP's Administrator, will work directly with you to organize and conduct these transfers from the ORP to the State Retirement Board which administers the MSERS.

ORP Contact: ORP@bhe.mass.edu

When to Transfer Assets Still Held in the ORP

Termination of employment with the Commonwealth (for any reason) provides the best opportunity to remit funds remaining in the ORP to the Retirement Board, because the following assets may be liquidated upon your termination:

- TIAA's Traditional Account
- Transfer Payout Annuities (TPAs) and Systematic Withdrawals (SWATs)
- Assets held in liquid investment funds (*e.g.* stock fund; bond fund; money market; *etc.*). These are typically funds transferred out of the Traditional Account via a TPA or SWAT, and being held in other investment funds in your ORP account. Such assets may be invested with TIAA, or any other Contract Provider under the Plan¹.

120-day Window

You must request the distribution and transfer of assets that are still owed to the Retirement Board within 120 calendar days after your termination of employment (for any reason) with the Commonwealth.

Surrender Fee

TIAA will waive their 2.5% surrender fee on all transfers from the Traditional Account, TPAs and SWATs made directly to the Retirement Board.

TIAA *will not waive* the surrender fee on any lump sum distributions from the Traditional Account, TPAs and SWATs that *are not related* to Section 60. For example, if you hold Rollover Assets in the Traditional Account and do not remit them to the Retirement Board, then you can take these funds as a lump sum distribution. In this case, where the funds are paid to you (even if rolled over elsewhere) rather than directly to the Retirement Board, TIAA will impose its 2.5% surrender charge.

¹ The remainder of this document assumes that the assets liquidated by TPAs and SWATs remain invested with TIAA.

How to Transfer Your Remaining ORP Assets to the Retirement Board

Trustee to Trustee Transfer

This is a lump sum distribution that *must be directly transferred* to the MSERS. This mechanism is called a Trustee to Trustee Transfer, and it is a tax-free transaction for you. However, the transfer must be initiated by the Dept. of Higher Education as the Plan's Administrator (one of the "Trustees").

Contact the Dept of Higher Education

You must conduct these transactions in conjunction with the Department of Higher Education (DHE). A Trustee to Trustee Transfer is initiated by a retirement plan's sponsor: the employer, hence the need to conduct the transfers through the DHE.

ORP Contact: ORP@bhe.mass.edu

Direct Transfer Form: You must submit a special form to request the lump sum distributions and Trustee to Trustee Transfers. The form is only available from the DHE.

The DHE will also arrange to have the check(s) issued correctly and delivered to the Retirement Board on your behalf.

Determining What Amounts Are Still Owed to the Retirement Board

While the DHE will assist you in determining the amounts of ORP assets that must still be remitted to the Retirement Board, the guidelines for these calculations are below.

Employer Assets

Section 60 requires that 100% of Employer Assets must be conveyed to the Retirement Board. These assets cannot be used to purchase any creditable service in the MSERS.

The DHE will help you identify the amount of Employer Assets in your ORP account that will be transferred to the Retirement Board.

Employee Assets

The terms of Section 60 require the remittance of an amount equal to 100% of your Employee Assets. However the Retirement Board recognizes that Personal Assets already used to purchase your Section 60 service should be deducted from any Employee Assets in the TIAA Traditional Account that are being remitted to the Retirement Board, along with related net investment gain and interest².

² The DHE is currently working with TIAA to develop and implement a method with which to ensure participants retain the proportionate amount of the future value of the Employee Assets held in the ORP when making final payment to the Retirement Board

The DHE will help you determine the amount of Employee Assets that is owed to the Board.

Special Note – Rollover Assets

Section 60 does not require the transfer of Rollover Assets from the ORP to the Retirement Board.

However, if you need these ORP assets to help purchase your Section 60 service at termination of employment, then you may voluntarily instruct the DHE to remit some or all of these assets to the Retirement Board.

You would provide this instruction to the DHE on the Direct Transfer form.

Remaining Payments

If the Employee Assets and Rollover Assets transferred to the Retirement Board are not sufficient to complete your Section 60 service purchase, then you will still owe funds to the Board to complete the purchase.

The Retirement Board will send a bill to you for the amount due.

You would arrange this final payment directly with the Retirement Board.