

## FACULTY ASSOCIATION FOR ALTERNATIVE RETIREMENT PLAN PARTICIPANTS

### FAARPP

#### HISTORY AND LEGAL ISSUES

##### **1. The State Law**

In 1997 the mitigating rate was established in section 3305.06 of the Ohio State Revised Code (OSRC). Section B of that law states

Each public institution of higher education employing an electing employee shall contribute a percentage of the employee's compensation to the provide of the investment option the employee has selected. This percentage shall be equal to the percentage that the public institution of higher education would otherwise contribute on behalf of that employee to the state retirement system that would otherwise cover that employee's position, less the percentage contributed by the public institution of higher education under division (D) of this section.

Section (D) continues:

Each public institution of higher education employing an electing employee shall contribute on behalf of that employee to the state retirement system that otherwise applies to the electing employees' position a percentage of the electing employee's compensation to mitigate any negative financial impact of the alternative retirement program on the state retirement system...

##### **2. History of the Mitigating Rate**

Originally section 3305.06 of the OSRC stipulated the mitigation rate would be 6%. The Ohio Retirement Study Council is mandated by ORSC 171.03 -04 to review all aspects of the state retirement systems every three years, and gives them sole authority to set the mitigating rates. The most recent review with its binding recommendations on mitigation rates was published on December 8, 2014.

**It is important to underscore that the mitigation rates apply only to the University match of our own contributions to our retirement funds.** Furthermore, it is important for you to understand that Ohio State contributes more than is statutorily required; in the current year, faculty members contribute 12.0% of their salary to a retirement program, and the University provides 14.0% as an overmatch.

The schedule below shows how the University contribution to ARP accounts has varied since its inception.

### Contributions to Faculty Retirement accounts in the ARP<sup>1</sup>

Time Frame	Employee contribution to ARP <sup>1</sup>	University contribution to ARP <sup>1</sup>	University Contribution to STRS instead of to ARP*
Feb 5, 1999 – June 30, 1999	9.3%	8.0%	6.0%
July 1, 1999 – Sept 5, 2001	9.3%	8.24%	5.76%
Sept 5, 2001 – Sept 30, 2001	9.3%	10.3%	3.7%
Oct 1, 2001 – June 30, 2003	9.3%	10.5%	3.5%
July 1, 2003 – June 30, 2013	10.0%	10.5%	3.5%
July 1, 2013 – June 30, 2014	11.0%	9.5%	4.5%
July 1, 2014 - present	12.0%	9.5%	4.5%

\*the Mitigating Rate

**Please note two important details:**

- 1) Throughout this entire time frame, the University contributed 14% to STRS for faculty enrolled in the STRS defined-benefit plan.
- 2) Staff enrolled in the ARP have been subject to entirely different mitigating rates that are sent to OPERS, and they have always been lower. At present the OPERS mitigating rate is 0.77%.

### **3. STRS Board Recommendation**

In the spring of 2015 the Board of STRS recognized their financial projections did not meet the state-mandated requirement of liquidity over the next 30 years. They therefore decided to increase the mitigating rate from 4.5% to 5.5%, effective July 1, 2015. This was the issue that galvanized the FAARPP; a letter-writing campaign to our state representatives resulted. When STRS was notified they do not have the statutory authority to change the mitigating rate, their Board reversed this recommendation. It remains at 4.5% until the Ohio Retirement Council changes it.

### **4. Current legislative activity**

A bill (H.B.311) was introduced by Representative Kurt Schuring (R-Canton) in the current session to amend section 3305.063 of the Revised Code. We are grateful that this bill contains language to abolish the mitigating rate, albeit over the next 30 years, but are very concerned that it continues to link the mitigating rate with unfunded liabilities in the state retirement funds. We believe these two should be unlinked, and have spoken with

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<sup>1</sup> To avoid confusion, we use “ARP” to include all defined-contribution plans. Thus the private vendor plans offered by OSU, as well as the STRS defined-contribution and combined plans, all are subsumed within the ARP for our purposes. Herein we use STRS to denote the defined-benefit plan offered by the State Teachers Retirement System.

Representative Schuring. This legislation has been pulled back for now and we remain vigilant. It is important that we actively resist the fundamental supposition that ARP participants harm the state retirement systems. A full analysis is given in Fact Sheet #3.

### ***5. Ohio State messaging to faculty and staff***

We are particularly disturbed that the University does not provide clear and consistent information about its contributions to ARP retirement funds. You should have received a personalized *Total Rewards Statement* this past summer from the Office of Human Resources. That statement included, among other data, an erroneous calculation of 14% of your salary directed towards your ARP from the University; it should have been 9.5%. This mis-information concerning the University's contribution to ARP retirement funds traces to at least 2004. Despite repeated requests that ARP participants receive revised statements, the Office of Human Resources has not corrected their communication to individual faculty.

Furthermore, many of our offer letters contain misinformation about the university's contributions to retirement. Please consult your letter of offer from the University to determine whether it accurately describes (or even mentions) the mitigating rate and its impact on your retirement funds. Upon hire, faculty are automatically enrolled in STRS and have the option to switch to the ARP within a few months, but the full implications of that change are not clear to most new faculty. We are concerned that an apparent bait-and-switch may cause some faculty to reconsider their commitment to Ohio State.